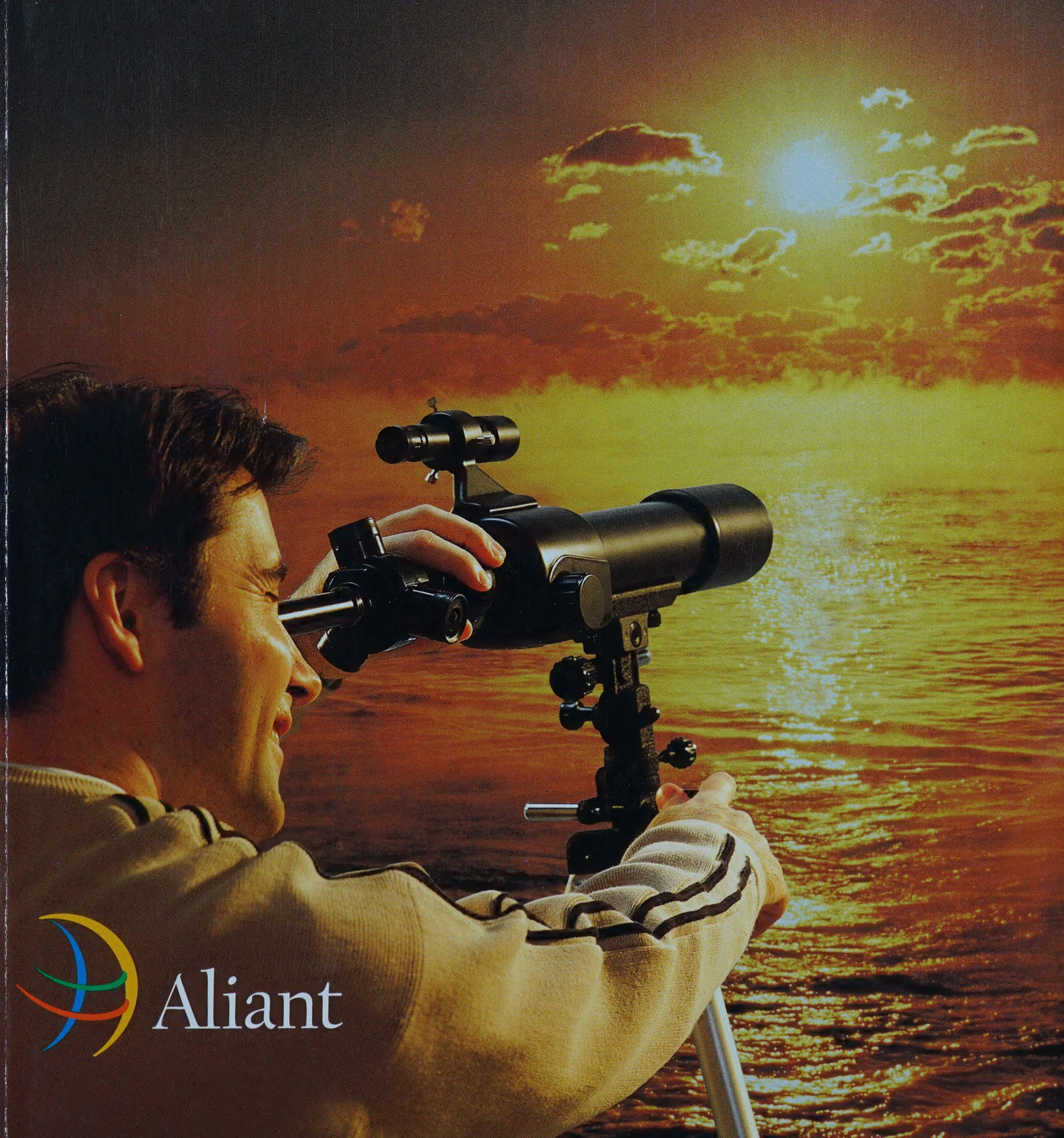
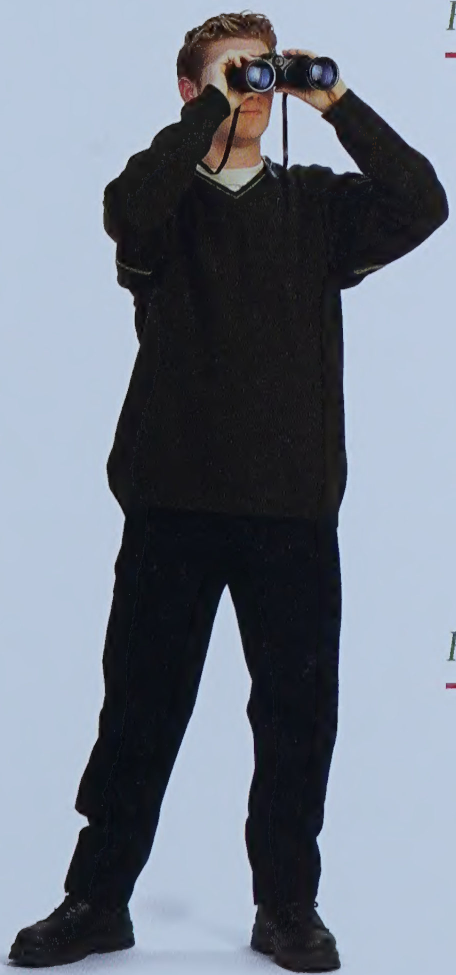
1999 Annual Report

If you could see what we see



Aliant

Take a look at Aliant



Services	Corporate brands
Horizon one	
Local telephone (including local data access)	Island Tel, MTT, NBTel, NewTe
Long distance	Island Tel, MTT, NBTel, NewTe
Telephone directories	Tele-Direct Atlantic
Horizon two	
Internet and e-business*	Island Tel, MTT, NBTel, NewTe
Information technology*	MITI Information Technology, **xwave solutions**
Wireless (cellular, paging, mobile)*	Island Tel Mobility, MTT Mobi NBTel Mobility, NewTel Mobil
Online government services, prepaid cellular services, advanced software applications and consulting	NBTel Global
Mobile satellite communications	Stratos Global (TSE:SGB)
Technical services, supply chain management, instrumentation and control systems	AMI Offshore
Horizon three	
Interactive information and entertainment services	New North Media
Network-based computer telephony integration	ConneCTIvity Contact Centre
Interactive television software	iMagicTV

Aliant at a glance Aliant at a glance

* *Services that are evolving across horizon one and horizon two.*

	Customers	1999 Growth
	99% of the Atlantic Canadian market	Revenues up 6% to $828 million Network access services grew 2% with the addition of 35,565 lines
	86% of the Atlantic Canadian market, including call centres	Total long-distance minutes up 34% to 2.9 billion
	Island Tel, MTT, NBTel, NewTel	Revenues up 4% to $39 million
	173,250 consumer and business customers in Atlantic Canada and Maine 65% of the Atlantic Canadian market	Revenues up 48% to $35 million
	Business and government customers in Canada and in international markets	Revenues up 73% to $252 million** 1,687 employees, up 55%
y,	298,448 cellular customers (78% market share) 62,942 paging customers	Revenues up 18% to $183 million Number of customers up 29%
	National and international telecommunications companies	Revenues up 123% to $21 million
	Remotely located communications customers in the transportation, shipping, mining, military, and oil and gas sectors in Canada and in international markets	Revenues up 287% to $144 million**
	Marine and defence industries worldwide Oil and gas sector in Atlantic Canada	Revenues up 252% to $37 million**
	Interactive television services launched in Moncton, New Brunswick for NBTel, with plans to expand to other locations in 2000	Start-up in 1999
lutions	Call centre-based companies including Sears Canada, HealthConnect and Bell ActiMedia	$2.3 million in revenues
	Kingston Communications (United Kingdom), MTT, NBTel and potentially other telecommunications companies worldwide	Start-up in 1998

Aliant at a glance Aliant at a glance

*** 1999 growth includes the impact of acquisitions.*
*See **Our view of Aliant**, page 24.*

If you could see what we see...

. . . you would see that Aliant is a strong company with a vision for growth based on three horizons. In the first horizon, we will remain strong in our established businesses. In the second horizon, we will use our experience to develop new markets. And in the third horizon, we will explore new and exciting opportunities. Read on. You will soon see Aliant as we see it – a dynamic, growth company.

Gatefold

if you could see what we see

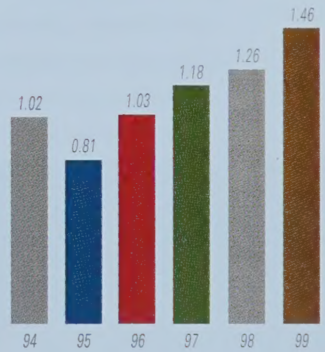
Our growth strategy delivered strong results in 1999

By building strong customer relationships in our home markets and expanding our operating presence internationally we produced significant revenue and earnings growth in 1999. Earnings per common share before restructuring costs and other one-time items (continuing operations) increased 15.9% to $1.46. Revenues topped $2 billion, up from $1.7 billion a year earlier. Net income from continuing operations increased 16.2% to $184 million. Our share price finished the year at $25.00.

(Millions of dollars, except per-share amounts)	**1999**	1998	% change
Operations			
Operating revenues	**$ 2,026**	$ 1,724	17.6
Operating expenses (1)	**$ 1,571**	$ 1,313	19.6
Net income from continuing operations (2)	**$ 184**	$ 159	16.2
Earnings before interest, taxes and amortization (2)	**$ 812**	$ 735	10.5
Earnings per common share from continuing operations (2)	**$ 1.46**	$ 1.26	15.9
Earnings per common share (3)	**$ 1.17**	$ 1.36	(14.0)
Return on average common equity (1)	**17.7%**	17.3%	2.3
Financial position			
Total assets	**$ 2,875**	$ 2,677	7.4
Long-term debt (including current portion)	**$ 1,188**	$ 1,108	7.2
Common shareholders' equity	**$ 1,106**	$ 1,042	6.2
Operating cash flow per share	**$ 4.07**	$ 3.80	7.1
Shareholder statistics (4)			
Year-end stock price	**$ 25.00**	$ 22.41	11.6
Price/earnings ratio *(December 31)* (5)	**17.1**	17.8	(3.9)
Average number of common shares outstanding *(Thousands)*	**126,550**	125,543	0.8
Other information			
Capital expenditures	**$ 366**	$ 305	19.9
Network access services – landlines *(Thousands)*	**1,539**	1,503	2.4
Network access services – cellular *(Thousands)*	**298**	231	29.0
Long-distance conversation minutes *(Millions)*	**2,854**	2,127	34.2
Internet customers *(Thousands)* (6)	**173**	126	37.7
Employees *(December 31)*	**9,419**	8,512	10.7

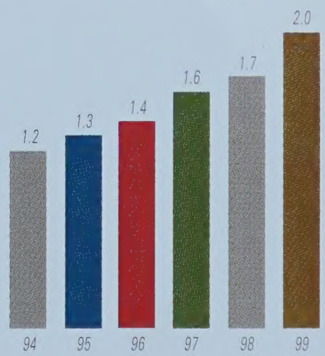
(1) 1999 figure excludes a one-time restructuring charge of $78 million
(2) Before a one-time restructuring charge and other one-time items
(3) 1999 figure includes a one-time restructuring charge of $78 million ($42.5 million after taxes)
(4) 1998 statistics have been restated based upon exchange ratios used in the Combination
(5) Based on earnings per common share from continuing operations
(6) 1999 figure includes 6,500 customers in Maine, USA

Earnings per common share from continuing operations
(Dollars)



Maximizing share value is a key objective. In 1999, earnings per common share from continuing operations increased 15.9% to $1.46.

Operating revenues
(Billions of dollars)



Acquisitions in our information technology and mobile satellite communications operations helped drive revenues over $2 billion, up 17.6% from $1.7 billion a year earlier.

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If you could see what we see, you would see that

we have tremendous growth opportunities

Dear Shareholder,

In May 1999, your vote of confidence gave us an overwhelming mandate to create one growth company. I believe we have met your expectations. Our combined revenues increased 18%, our net income from operations and earnings per share increased 16%, and we paid $106 million in dividends. And this is only the beginning. *If you could see what we see…*

Stephen Wetmore, president and chief executive officer

Aliant is a strong company with a solid growth agenda. We are located throughout Atlantic Canada and well beyond, as we take our strengths to world markets. We're integrated. We're innovative. We're acquisition-minded. And, we're determined to deliver strong growth for our shareholders, our customers, and our employees.

We approach our future with a strategy that has three horizons. It's our vision for growth and in this, our first annual report, I want to share that vision with you.

In the first horizon, we'll maintain a strong and profitable presence in our established telecommunications and information technology markets.

Through Aliant Telecom, the parent company of Island Tel, MTT, NBTel and NewTel, we are the leader in our home region. Focusing on customer retention, we are building on our proven track record of superior customer service. Significant growth in long-distance saw us end the year with a strong 86% share in this highly competitive market.

With the future being an Internet world, we're well positioned. 65% of Atlantic Canadian Internet users choose us for their services. We will continue to aggressively deploy our high-speed Internet services and Internet-protocol (IP) capability in our fibre-optic communications network. IP networks, on which the global economy runs, permit the delivery of e-commerce applications, interactive call centre solutions, IP-based entertainment and broadcast services – all growth areas for telecom.

Within our information technology (IT) business, we've established market leadership in Atlantic Canada through **xwave solutions** (xwave) and MITI Information Technology (MITI) with strong customer partnerships, innovative solutions, and aggressive growth plans. We understand the importance of our IT business in our home markets and the importance of our home markets as a core enabler for Aliant's IT business.

Increasingly, the worlds of telecommunications and information technology are becoming an integrated total service offering. Our companies are providing total solutions

We have mapped out a three-part strategy for growth. First, we will remain strong and profitable in our established telecommunications and information technology businesses. Second, we will use the experience gained in our established businesses to grow in new markets at home and around the world. And third, we will use our knowledge and innovations to propel us into emerging opportunities.

and moving customers to what we call an Internet Enterprise. This is a powerful combination not provided by others.

In the second horizon, we will leverage our experience in our established businesses to grow in new markets at home and around the world.

In addition to the wireline growth opportunities that we see evolving across horizons one and two, we view wireless technology as a key component of growth within our home markets. With a current market share of 78%, we will continue to expand our digital wireless infrastructure throughout the Atlantic region as we focus on new products and services to add value to our overall offerings.

Our firm footing in Atlantic Canada gives us the base we need to continue building beyond our home region. In IT, we expanded our reach in North America and it's clear that substantial growth opportunities await outside our current markets. In fact, we aim to triple our IT revenues by the year 2003.

In communications we have expanded geographically through our mobile satellite operations. With a 66% interest in Stratos Global, we have established a well-earned reputation for providing exceptional service to remotely located communications customers in the energy, fishing, media, shipping, mining, government and military sectors. Through Stratos and our other businesses, we are able to provide integrated and enriched services to customers in specific vertical markets, like the oil and gas sector, and we're proving we can capture a share of the extensive world market.

In the third horizon, we will use our knowledge and innovations to propel us into emerging opportunities.

The bright minds that have kept our telecommunications companies on the leading edge and that have created the second-largest Canadian-owned IT organization in Canada are continuing to set the foundation for explosive growth.

Through our *LivingLAB*™ innovations environment, employee ingenuity abounds. It's a test setting that mirrors real life, where we focus on understanding and meeting our customers' needs through innovation. But we don't do it all by ourselves. We enlist forward-thinking partners who aren't afraid to think outside of the box. We collaborate with world leaders like Nortel, Newbridge, U S WEST, Microsoft, Disney Televentures and Bell Atlantic, to name a few. We invite business leaders from around the world to visit us and to understand how to integrate like-services in their jurisdictions.

In the *LivingLAB* environment, we developed our high-speed multimedia Internet service that enabled the launch of our interactive television services that run over an Internet-protocol network. It was also here that we created the Internet virtual private network (VPN) concept to serve employees of secure WAN and LAN-based businesses using bandwidth and speed. Internet VPN holds so much potential that we're licensing it for re-sale worldwide.

We're now testing a product known as Centrex IP, which permits rich voice and video connectivity over the Internet. We're uncovering a world of possibilities as we develop and test new innovations in this growth horizon. Nothing will be overlooked as we work to define the future.

Across all three horizons our success can only be achieved through the hard work of our employees. It is with them that we'll realize the ways in which high technology will improve our lives. They're over 9,000 strong, and located across Canada, in the United States and even in Europe. With their commitment and dedication, we're raising the bar for customer service and innovation. Whether on call, on deck, or online, the men and women of Aliant are ready to lend their expertise to every aspect of the job to fulfill our growth agenda, and to create value for you, our shareholders.

Stephen Wetmore

Stephen Wetmore
President and Chief Executive Officer
February 10, 2000

A conversation

with our

executive

team about

four to the power of one

Q Why was Aliant created?

A Aliant was created to deliver growth. Before our merger last spring, the boards of Bruncor, Island Tel, MTT and NewTel Enterprises determined that by combining our financial, technological and human resources, we could create a stronger, more vibrant company. We believe that by merging the four public companies to form one larger, more powerful entity, we now have the potential to take advantage of the opportunities for growth available in national and international markets.

Q How does Aliant's size compare with other national players?

A When Aliant was created, we were immediately transformed into a company with approximately 9,000 employees, $1.7 billion in revenues and a market capitalization of $3 billion. At day one we were already a significant player – the third-largest incumbent telecom company in the country, the second-largest Canadian-owned information technology organization, the largest Canadian mobile satellite company, and a group of innovative emerging businesses – each with strong, growth agendas of their own.

Q Has Aliant's integration been completed?

A Through careful strategic planning, we have successfully achieved our integration objectives. Our lines of business and our employees have taken the lead from our senior management team, which has become one effective unit.

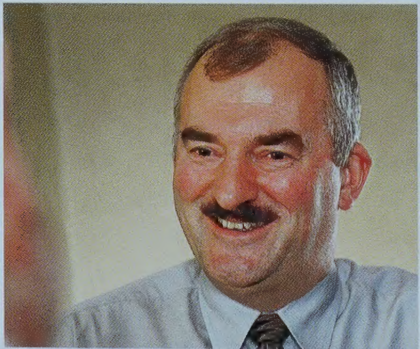
Within our telecom business we have maintained our respective market facing brands in each province, yet Aliant Telecom, the parent company of these provincial entities, is run as one organization. We have made excellent progress in moving to a common network and our Aliant Telecom functional areas, including finance, human resources, marketing, network management, operations and public affairs, have become fully integrated with a clear Atlantic Canada-wide focus.

Within our IT business, we have aligned our resources and evolved an integrated take-to-market approach. Consistent with our growth strategy, our integration progress enables us to provide complete value-added solutions across all of our lines of business, in our home markets and beyond.

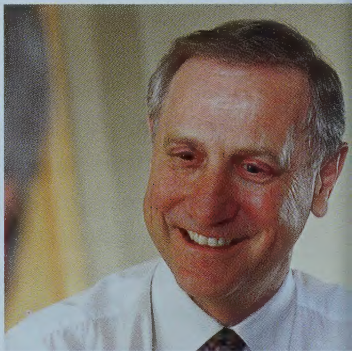
Our talent to innovate continues to be managed under our emerging business group of companies. Again, focused as one entity we're continuing to make tremendous progress in realizing the worldwide opportunities that exist.

Stephen Wetmore, president and chief executive officer

Gerry Pond, executive vice-president and president, Aliant Information Technology and Emerging Business



Bob Benson, executive vice-president and chief financial officer



Colin Latham, executive vice-president and president, Aliant Telecom

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The formation of Aliant has provided us with a number of key benefits — increased operating efficiencies, greater purchasing power and the ability to provide fully integrated solutions for our customers. By mid 2001, we expect to achieve operating savings of $86 million and capital savings of $50 million, on an annual basis. And, today, we offer many of our customers a bundle of services that includes everything from local telephone service to interactive television.

Q What benefits have been realized since the creation of Aliant?

A We have clearly demonstrated that Aliant is delivering the substantial benefits that we identified prior to the merger. These include a more competitive operating cost structure and cost-effective access to the technology and brands of Bell Canada and its partners. In addition, we benefit from product line and business integration, a greater scale of investment in the development and support of products and services, and a more significant public float and market capitalization for common shares.

We have demonstrated our ability to deliver these benefits, and our operating efficiencies provide a good example of this. In May, we stated that on an annual basis we would achieve $50 million in capital savings and $80 million in cash operating savings, which was increased to $86 million based on revised projections at the end of the third quarter of 1999. As a result of improved efficiencies and increased purchasing power, we are on track to achieving these savings, which will be realized on an annual basis by mid-year 2001.

Q What does Aliant's strategic alliance with Bell Canada and BCE mean?

A From a strategic perspective, our alliance enables us to partner and deploy our respective expertise, while maintaining the flexibility required to achieve our growth agenda.

We are able to market and provide a cohesive telecommunications network with seamless service delivery through our agreement with Bell Nexxia. We have access to Bell Canada's technologies, which enables us to introduce products and services faster as we benefit from work done nationally. In addition, our alliance provides tremendous savings opportunities as we are able to pool purchasing requirements and aggregate our voice and data traffic.

We also benefit by increased opportunities to provide our services to a large national market. The *Sympatico*™ help-desk contract awarded to Aliant Telecom in December is a strong signal of how we can rival national service providers and add value within the Atlantic region through our national alliances, in this case with Bell ActiMedia.

Q What is Aliant Telecom's broadband strategy?

A Our strategy is directed to transforming ourselves from a traditional telecom company to a multimedia provider, managing high-performance networks and delivering a full range of communications, high-speed Internet and interactive television services.

We are aggressively investing in broadband networks to provide our customers with more choice, greater value and one-stop shopping. We believe that the future will be about the interactivity created in these new media. As such, we will identify and partner with or invest in companies that are developing these services.

Q Will Aliant's four telecom brands become one?

A Brand is really an expression of how we experience a company from a customer, employee and public perspective. Our four telecom brands enjoy strong credibility, customer acceptance, loyalty and employee commitment.

Over time, we believe a key factor in Aliant Telecom's success will be to build upon and transfer these qualities to a new brand identity, which will reflect the customer-driven multimedia services that will be achieved through our broadband strategy.

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o is a trademark of Bell ActiMedia Inc.

If you could

see what

we see,

you would see that

we are building on a strong foundation

We're working each day to maintain a strong and profitable position in our home markets. Atlantic Canadians choose Aliant Telecom for the vast majority of services, making us a leader in market share when compared to others in the industry. Our long-distance market share grew to 86% at year end. Dial-up and high-speed Internet services increased as well, with a 38% boost in our subscriber base, bringing the year-end total to 173,250 customers in Atlantic Canada and the US.

Choice and convenience

As the local-service market opens up to competition, we're building on our business strategies to remain strong leaders in all of our markets. We are doing this by packaging our products and services in bundles to give customers greater choice and value. 1999 saw unprecedented bundling of telecommunications solutions, as Aliant Telecom brought together long-distance, Internet, local, cellular and paging services. We're enriching these packages with innovations like e-mail on the *Vista** 350 telephone, Internet call waiting, and by bundling call management features with local service. We expect this trend to continue well into 2000, with security systems and TV services added to the mix.

As the world moves more towards e-business, the Internet is opening new doors for us – e-doors. Increasingly, businesses are launching "virtual" stores, open to anyone, anywhere, anytime – and we're helping them do it. We're leading the

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*Trademark of No

Our traditional businesses will remain significant contributors to our revenues and our bottom line for many years to come. We will continue to work hard to drive customer satisfaction up and costs down. Our goal is to maximize our market share in Atlantic Canada and to free up capital for investment in high-growth opportunities.

way with technologies that allow businesses to offer secure transactions, online catalogues, electronic shopping carts and more. Businesses benefit from real-time voice and text-chat capabilities, as well as other enhancements that deliver brochures, and product and service details to a customer's desktop in just seconds.

Fueling economic prosperity

We will continue extending advanced technologies throughout our home region. In 1999, we expanded our broadband networks to over 20 additional communities in Atlantic Canada. These networks carry high-speed Internet, videoconferencing technology, tele-health services and form the backbone for our interactive television service.

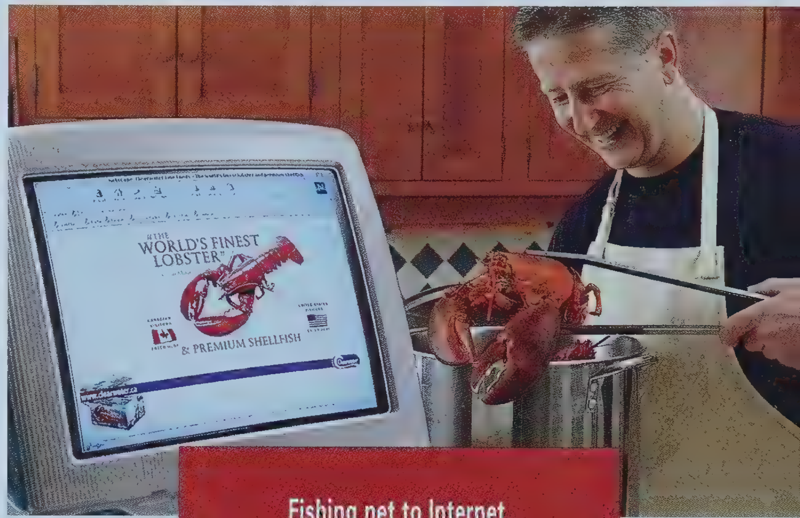
Through advanced technology, we continue to attract new businesses and keep our call centre industry booming. By working in partnership with provincial governments, we have welcomed more than 80 centres and indirectly helped create more than 15,000 jobs over the past decade – "virtual" ones included. Chicago-based Virtual Agent Services set up shop in 1999 giving employees in non-metro areas the opportunity to work from home or a local community centre – a business strategy we support and work hard to evolve.

Island Tel Advanced Solutions (ITAS), a wholly owned subsidiary of Island Tel, also made great strides in 1999. In partnership with a local business, ITAS landed an enterprise network management contract with the government of Prince Edward Island and fueled the creation of 73 jobs.

Total solutions

Our IT companies, **xwave** and MITI are thriving, ending the year with a 72.5% increase in revenues, due in large part to acquisitions. They provide a full-range of IT consulting, managed network services, systems integration, and IT outsourcing services. To quote from the Atlantic Provinces Economic Council report *IT and the Knowledge Economy in Atlantic Canada*:

"With the presence of (Aliant) the region is well positioned to retain the financial, managerial, human resource and technological clout required to mount the development of a strong IT sector."



Fishing net to Internet.

Clearwater, a marketer of seafood products, is selling lobsters and other premium seafood products throughout North America with help from our Internet hosting services. Customers order online and receive shipments within 48 hours.

Aliant is focused on providing total solutions to our customers. We will use this powerful competitive advantage to reach our growth objectives within our home markets as we continue to develop and maintain strong customer relationships, expand our sales channels, and deliver value-added services. We are confident that our established businesses in our home markets will continue to gain customers and profits, serving as a strong foundation for the opportunities that lie ahead.

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If you could

see what

we see,

you would see that

our world has no borders

When we look to our horizons, we are carried past our traditional borders – even to the middle of the ocean. We're investing in growth areas, like information technology and mobile communications including analog, digital and satellite. We've put our century-plus history to work for us by building on traditional services and applying our strategies to specific vertical markets – like the oil and gas sector.

Focusing on vertical markets

Given the busy pace with which the oil and gas industry is growing in Atlantic Canada, this market is a key focus for our group of companies. Through our collective in-depth understanding and extensive expertise in technology, we're able to offer advanced integrated solutions to this important vertical market.

One Aliant company that is helping us lead the way is AMI Offshore (AMI). By concentrating on growth through acquisitions and joint ventures, AMI has positioned itself to fully capitalize on opportunities presented by the rapid expansion of the oil and gas sector in Atlantic Canada. In 1999 alone, AMI acquired K&D Industries, SEA Systems, Tubecraft Atlantic and NewTech Instruments. Its employee base grew by 10 times, totaling 250 employees at year end. This aggressive approach transformed AMI into one of the largest supply chain management, and instrumentation and control organizations in our region – in just 12 months.

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Growth will come in many ways – from introducing new services and products to our customers across Canada as well as from exporting our innovative solutions worldwide. It will also come from investing in telecommunications-related businesses. It seems like there is no limit to the growth our information technology business has enjoyed, and through our mobile satellite business, we are quickly becoming the communications company of the oceans.

We're confident AMI is establishing itself as the leading supplier of logistics and industrial services for Atlantic Canada's oil and gas sector.

Complementing AMI's work in the oil and gas industry is our 66% ownership of Stratos Global, one of North America's largest mobile satellite communications companies, specializing in remote communications. This multi-network company is a facilities-based carrier, owning its own satellite earth stations, and providing satellite airtime to a wide variety of international customers including business travellers, navy vessels, general aviators, UN peacekeepers and journalists.

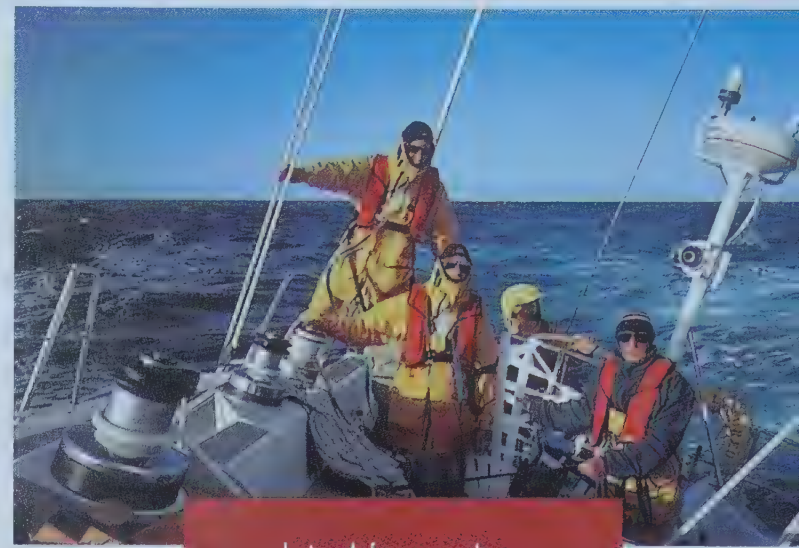
Stratos launched its new Inmarsat-M4 global portable voice and data service in 1999. It delivers to its remotely located customers high-speed data, quality voice, fax and a range of other services such as Web access, through a lightweight battery-powered, portable terminal the size of a laptop computer.

Stratos is also a provider of hand-held satellite phones and services, with an airtime distribution agreement that covers the United States, South America and Africa. Since this service was launched, Stratos has been one of North America's most successful distributors of hand-held satellite phones and pagers.

In December, Stratos announced its acquisition of the assets of Shell Offshore Services Company (SOSCO) in the Gulf of Mexico. Pending regulatory approvals, through SOSCO's operations, we will be able to provide advanced integrated communications services to large offshore oil and gas customers in this region. SOSCO's capabilities will also enable Stratos to broaden its offering of advanced communications solutions to other industry customers as we continue with our growth agenda.

Stratos tailors its services for mobile and remote users with varying requirements and is quickly becoming the communications company of the oceans. Stratos will continue to play a very important role in Aliant's growth strategy.

Through Stratos, mobile and remote satellite communications are meeting the needs of select international markets. However, mobile communications take on a different meaning when we look to our home markets.



In touch from anywhere.

Stratos is quickly becoming the communications company of the oceans. Its Inmarsat-C positioning and messaging services allow customers to stay in touch and automatically communicate exactly where in the world they are.

Incredible customer growth

Driven by our analog and digital networks, our mobility divisions are experiencing growth like never before. By concentrating on building relationships with our customers and providing them with the latest advancements in cellular technology, we serve a growing market.

Our aim is to provide the most complete cellular

Smarter cell phones.

Customers can now receive e-mail and Internet messages on their digital cell phones thanks to an investment of over $12.6 million in a new digital wireless network.

coverage possible. Our analog network covers an average of 92% of the population across the four provinces and we're working hard to expand it. In 1999, over a dozen new analog cellular sites were built and extra capacity was added to existing sites. This represents a total investment of $11.4 million.

Our focus on new products and services is adding value to our overall offerings and driving customer demand. We launched new technologies that allow customers to receive e-mail and Internet messages on their digital phones and alphanumeric pagers. We expect strong market demand for wireless products to continue, and to better serve our customers, we invested a total of $12.6 million in a new digital wireless infrastructure during the past year.

Another product that enhanced our mobility suite of services is prepaid cellular, giving customers the flexibility of purchasing phone cards and paying for airtime in advance. Targeted to those who are looking for no commitment, no monthly bill and controlled usage, prepaid service is generating market awareness and growth.

Wireless data – creating growth

Like wireless communications, wireless data is a growing area that is proving to be an important part of our business. We're serving the Royal Canadian Mounted Police (RCMP) in Nova Scotia with a cellular network that provides a fast, cost-effective, secure and reliable means of sending and receiving information. Laptop computers mounted in RCMP vehicles allow officers to connect to the network via wireless modems. **xwave solutions** developed the software that serves the dispatch and mobile computing needs of the RCMP – an example of Aliant's integrated solutions at work.

The potential of this cellular network will grow to allow for customized applications that enable our clients to locate or track vehicles, monitor alarm systems, read meters or authorize debit and credit cards remotely.

Trunked mobile radio communications is another emerging growth area for our telecom business. Through a 10-year agreement with the Province of Nova Scotia, we've implemented a public safety radio service that enables emergency agencies to communicate seamlessly with one another.

Building upon our experience with trunked mobile radio in Nova Scotia, we've secured a second 10-year agreement with the City of Fredericton for trunked mobile radio and cellular data services. These new wireless infrastructures will assist the city's public safety officials in providing improved, time-efficient, emergency services to its citizens.

Sharing innovations

Just as we share our knowledge among the Aliant companies, we're applying what we've learned in our home markets to international opportunities. NBTel Global is a good example of this model at work. For years, we've been

refining our electronic services to give customers greater flexibility – like paying bills, registering motor vehicles and inquiring about student loans online or over the phone. We're sharing our intellectual property in the area of government online services with British Telecom (BT). In a similar move, we've entered into a five-year alliance to develop electronic service delivery applications for customers in U S WEST's 14-state territory. Work has already begun with U S WEST for the Alaska Department of Fish and Game, where citizens there are using technology developed in Atlantic Canada to renew fish and wildlife permits.

Achieving new heights in IT

We're applying the same concept to our work in information technology, where approximately 20% of our revenues come from outside of Atlantic Canada. Through **xwave** and MITI, we are the second-largest Canadian-owned IT organization, one that is swiftly growing in national and international markets. Thanks to the companies' various ISO 9001 quality assurance certifications and IT expertise, customers like the RCMP and NAV Canada are trusting Aliant's IT companies with a variety of projects. **xwave** and MITI are providing utilities, governments, communications companies and financial institutions with everything from air traffic management to help-desk support to public safety and defence. Whether in Dallas or Ottawa, Ireland or England, Aliant's IT companies are extending their reach to new markets.

In 1999, our IT services added 300 new employees and stretched into Ontario with MITI's acquisitions of Galahad Information Systems and **xwave's** purchase of Software Kinetics. We strengthened our position in Atlantic Canada when MITI purchased the majority of Keltic Incorporated's IT operations.

We're moving ahead with great strides and the industry is taking note. Profit Magazine ranked MITI 37th among Canada's fastest growing businesses, and according to IDC,* **xwave** will be a firm to watch over the next few years as it continues to grow.

In keeping with our strategy of building upon our experience and investing in new growth areas, we have begun implementing a US expansion strategy. We acquired AcadiaNet, an Internet service provider that serves the Bangor, Maine area, and welcomed 6,000 new customers to our company. AcadiaNet's e-commerce capabilities, new media skills and in-depth knowledge of the Maine marketplace will be major assets as we continue to look at new investments in the New England states.

Just as work outside our home market fuels expansion, so does our work at home in new areas of growth. As we focus on specific sectors, like oil and gas, new opportunities present themselves. Through it all, we remain committed to our roots, but keep a firm focus on the future. It's a balance we believe will lead to our long-term prosperity and increased shareholder value.

E-business solutions.

Doug Hull of Industry Canada and **xwave's** Karen Dubeau discuss our ability to create e-business solutions such as *access.ca* that help Canadians discover information and interactive services.

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*International Data Corporation is the world's provider of information technology data, analysis and strategic and tactical guidance.

If you could

see what

we see,

you would see that **the possibilities are endless**

The world as we know it is changing. We intend to be a strong force in shaping its destiny. We will build on our past experiences and focus on growing industries to fund innovations that have endless possibilities.

No matter what area – computer telephony integration, entertainment, Internet-protocol technologies, or software applications – we will achieve results through innovative research and development initiatives.

Pushing the limits

In our *LivingLAB* innovations environment, we push the limits of innovation. Made up of four elements – employees, customers, partners and the *VideoActive* Development Centre; a test area that resembles a true-to-life setting – the *LivingLAB* is an incubator for ideas. It's where we built our government online services, our high-speed multimedia Internet, and our electronic telephone directory for the Internet and the *Vista* 350 screen phone. It's where we're currently testing Centrex IP – voice communications over the Internet – and working to improve some of the latest industry innovations like video-on-demand, videophone technology and Internet call centres.

Shaping the future

One of our most exciting developments is our interactive television and Internet service. With the help of employee and customer trials, we built a service that includes over 100 digital television channels, e-mail, pay-per-view TV, and Web surfing – all over traditional copper wire. We're now delivering it to

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No one really knows what the future holds. Skills in demand today may not be tomorrow. Research and development is the key to anticipating and bringing the future to market. That's why, together with our partners in the *LivingLAB* innovations environment, it is important to keep our options open and explore new ideas and technologies that will become the standards of tomorrow.

customers in Moncton, New Brunswick, with plans to expand to other areas of Atlantic Canada and beyond in 2000.

To deliver this entertainment innovation, we use software developed by iMagicTV, of which Aliant holds a 39% interest. iMagicTV focuses on innovation and research and is a leader in "beyond cable" software for service providers worldwide. In 1999, the company expanded its sales operations to Cambridge, UK and into the US in Denver and Atlanta.

By partnering with companies like iMagicTV, we are mapping out a future where television and computer screens are gateways to endless entertainment and information. We believe that someday, in the not-too-distant future, we'll be able to tune into our favourite program, click on a character's hat or scarf and purchase it with a few keystrokes – a blending of e-commerce and entertainment that we're just now beginning to experience.

Taking e-commerce to new levels

By using our knowledge and innovations we're also finding success with customer contact solutions. ConneCTIvity is giving companies more control over their contact with customers than ever before – moving call centres towards electronic commerce centres. What sets ConneCTIvity apart is its high-value, low-risk solution that delivers CTI not as a product, but as a managed service on a pay-per-use basis. Through an enriched suite of services, this solution pairs customer inquiries – whether by phone or e-mail – with existing database information and provides agents with a "case history" on the screen, even before the customer is greeted.

Across North America, businesses are finding this unique solution attractive including Sears Canada, HealthConnect and Bell ActiMedia. ConneCTIvity was applauded by the industry with three Canadian CTI Awards, including the Call Centre Service Provider of the Year Award. Having opened its doors in 1997, ConneCTIvity is proving very promising, with revenues that almost quadrupled in 1999. We're confident it will continue to lead the way in the industry by shaping traditional call centres into state-of-the-art electronic commerce centres.

Not only do we invest in home-grown opportunities, like iMagicTV and ConneCTIvity, but we're continuing to expand our reach into other well-known innovative testing grounds – namely, the Silicon Valley. California-based Neuromedia is one of Aliant's minority investments that we think holds a bright future. Neuromedia develops and markets applications based on artificial intelligence that allow users to ask questions in "natural language" and receive instant replies from virtual service representatives.

The possibilities are endless when we imagine the future. We'll continue to engage our spirit of innovation and challenge the industry standards. We'll raise the bar. We'll stretch the limits. We'll continue to pioneer, so that in the future, you will see what we see today.

Turning copper into gold.

NBTel customers in Moncton can enjoy more than 100 digital TV channels along with e-mail, Web surfing and pay-per-view options, delivered to their homes over traditional copper telephone lines. The service uses software developed by iMagicTV.

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Lending a hand

Our company and employees continue with the well-established tradition of generous support to the communities in which we live and work. In keeping with our corporate philosophy of returning a measure of our good fortune to the community, this past year Aliant provided financial, in-kind, and volunteer support to a number of charitable groups and organizations, particularly in the areas of the arts, education and health.

We donated over $1.85 million to education, health and welfare, arts and culture, and civic organizations. In addition, we supplemented our cash contributions with gifts-in-kind support that ranged from access to telephone lines and equipment to volunteer hours from employees and Telephone Pioneers for national and world events like Ford World Curling, Skate Canada, the Canada Games, and The Francophone Summit.

We supported Soirée '99, the NewTel/Arts Council Cultural Innovation Fund, the Confederation Centre of the Arts, the Peter Gzowski Literacy Awards, Atlantic Canadian degree-granting universities and colleges, as well as provincial initiative groups like the Red Cross, United Way, Kidney Foundation, Big Brothers/Big Sisters, Rotary Clubs, Junior Achievement, and many, many others.

Our Pioneers led the way in North America with many of our chapters taking home awards from the annual general meeting in New Orleans. Through programs like Hug-A-Bear, Heart Pillows, and I Like Me, the Pioneers' social conscience is ever present. Last year, they refurbished and placed thousands of computers in schools and charitable organizations in Atlantic Canada in a project known as "Computers for Schools". In addition, each Aliant Telecom company supported the introduction and maintenance of the Community Access Programs, which make Internet-connected computers available to residents in rural communities.

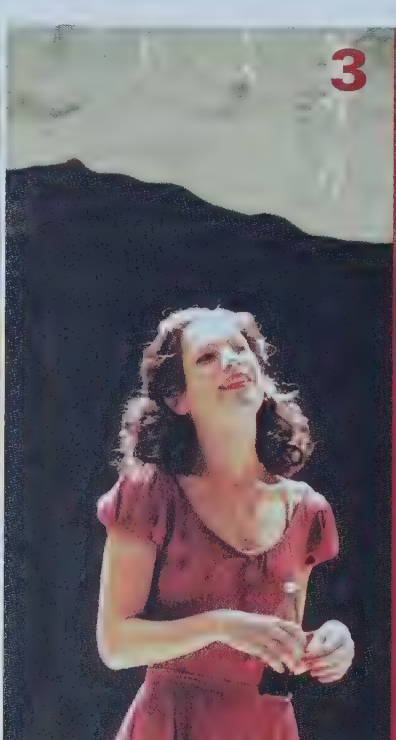
The people of Aliant are an integral part of the fabric of community life in our home region. This involvement in community life is central to our corporate philosophy and our success, and it is a key value we intend to maintain as we move forward.

A friend in need.

Children are our most precious resource. In times of distress, emergency service providers, like constable Trevor Jones, reduce children's anxiety with the help of the Telephone Pioneers Hug-A-Bear program.

serving our communities serving our communitie

Giving back to the community is an important part of the work we do everyday. Our employees and retirees give time and energy to the many good causes throughout Atlantic Canada and beyond. We demonstrate a clear social responsibility to the arts, education, athletics and non-profit organizations – and we feel good doing it.



1. **Skating, skiing, sliding.**
Last year, Corner Brook, Newfoundland, hosted the Canada Winter Games where young athletes from across Canada competed for gold, silver and bronze. NewTel employees volunteered thousands of hours of time to help make the games a success including (left to right) Lionel Keeping, Joe O'Quinn, Barbara Parry and Tom Wheaton.

2. **Helping children learn.**
Thanks to the Telephone Pioneers, students like Lindsey Gavin and Devin Latour have access to computers. Last year, we repaired thousands of computers and donated them to schools across Atlantic Canada.

3. **The world's a stage.**
The arts are an important part of our culture, enriching the lives of people in communities throughout Atlantic Canada. That's why, last year, we sponsored *Of Mice and Men*, featuring Patricia Zentilli, at Neptune Theatre in Halifax, Nova Scotia – one among many of our cultural sponsorships.

serving our communities serving our communities

Providing leadership

Stephen Wetmore

Gerry Pond

Stephen Wetmore is president and CEO. He served as president and CEO of NewTel Enterprises from February 1998 until the formation of Aliant. Under his leadership, NewTel Enterprises was transformed from a provincial telephone company to a leading technology company in Atlantic Canada. Prior to his appointment with NewTel Enterprises, Mr. Wetmore was president of Air Atlantic and prior to that he was managing director with Scotia Holdings plc in London, England.

A graduate of Acadia University, Mr. Wetmore has served as chair of the Nova Scotia Council on Higher Education. He is a member of Memorial University's Genesis Centre Mentor Program and the Advisory Council for the Shad Valley Institute (Newfoundland). Mr. Wetmore serves on the board of governors of Rothesay Netherwood School and the University College of Cape Breton. He is chairman of the Atlantic Provinces Economic Council and a director of MMC Blue Cross.

Gerry Pond is an executive vice-president of Aliant and president of Aliant Information Technology Inc. and Emerging Business.

After graduating from the University of New Brunswick, Mr. Pond joined NBTel in 1966. He became president and CEO in 1994 and president and CEO of Bruncor in 1995.

Mr. Pond is a member of the board of directors of the Conference Board of Canada, the Atlantic Institute for Market Studies, the Information Technology Association of Canada and the Business Council on National Issues. He is also a member of the board of governors of the University of New Brunswick and the Canadian Chamber of Commerce where he served as chairman of the board from 1997 to 1998. Mr. Pond is also chairman of the board of governors of Junior Achievement's New Brunswick Business Hall of Fame.

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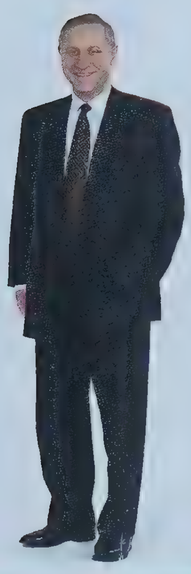

Colin Latham

Bob Benson

Colin Latham is an executive vice-president of Aliant and president of Aliant Telecom Inc.

Since graduating from Liverpool University in England with an honours degree in Engineering, Mr. Latham has spent his career in the telecommunications industry. After two years with NBTel, he joined MTT in 1970 and was appointed president and CEO in May 1995.

Mr. Latham is chairman of the board of the Greater Halifax Partnership and chairman of the acquisition committee of the Art Gallery of Nova Scotia. He is a member of the board of governors of Dalhousie University and a board member of Dalhousie's Global Information Networking Institute. He is also a board member of the Council for Business and the Arts in Canada, the Atlantic Institute for Market Studies and InNOVAcorp. Mr. Latham is a member of the Association of Professional Engineers of Nova Scotia and a fellow of the Canadian Academy of Engineers.

Bob Benson is an executive vice-president of Aliant and chief financial officer.

Mr. Benson is responsible for providing financial and management advice in support of the profitable growth of the enterprise and for formulating financial policies and plans. Mr. Benson is also responsible for managing the financial effectiveness and optimal economic development of corporate assets on behalf of all stakeholders.

Prior to his current position, Mr. Benson served in a variety of senior management and executive positions in the telecommunications industry.

Mr. Benson is a director of **xwave solutions**, Stratos Global, AMI Offshore and NewTel Mobility. Mr. Benson is a member of the Canadian Institute of Chartered Accountants.

Representing shareholders

Miller Ayre is publisher of The Telegram, St. John's. He is a past director of both NewTel Communications and NewTel Enterprises. (1) (2)

Charles Caty is the past president and CEO of the Investment Dealers Association of Canada. He is a past director of both NBTel and Bruncor. (3) (4)

Lino Celeste, *chairman*, is the retired president and CEO of NBTel. He is a past chairman of both the NBTel board and the Bruncor board.

Robert Dexter, QC, is chairman and CEO of Maritime Marlin Travel and a partner with the law firm Stewart McKelvey Stirling Scales. He is a past director of MTT. (1) (2)

Ivan Duvar is retired president and CEO of MTT. He is a past chairman of the board of MTT and a past director of Island Tel. (3)

Albert Hickman is chairman and president of Hickman Motors. He is a past director of both NewTel Communications and NewTel Enterprises. (3)

Edward Reevey is chairman and CEO of Addee Developments Limited, a private holding company, and Eedda Capital Inc. He is a past director of both NBTel and Bruncor. (1)

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Randall Reynolds is president of Bell Canada (Ontario), the leading provider of telecommunications services in the province of Ontario. (2) (4)

Alan Scales, QC, is a senior partner with the law firm Stewart McKelvey Stirling Scales in Charlottetown, PEI. He is a past director of Island Tel. (2)

Wes Scott is chief corporate officer of BCE, Canada's leading communications company. (1) (3)

Donald Sobey is chairman of Empire Company, a holding company with interests that include food distribution, real estate and corporate investment. He is a past director of MTT. (4)

Stephen Wetmore is president and CEO of Aliant. He is a past director of both NewTel Communications and NewTel Enterprises.

Charles White, QC, is a partner with the law firm White, Ottenheimer & Baker. He is a past chairman of both NewTel Communications and NewTel Enterprises. (4)

Committees

(1) Audit
(2) Corporate governance
(3) Human resources and compensation
(4) Investment

All directors, with the exception of Wes Scott, were appointed to the board on April 22, 1999. Mr. Scott was appointed to the board on June 23, 1999.

Committed to high standards of corporate governance

The Toronto Stock Exchange ("TSE") passed by-laws requiring companies incorporated in Canada and listed on this exchange to disclose their corporate governance practices in their annual meeting documents. The TSE has issued 14 guidelines ("TSE guidelines") covering such issues as the constitution and independence of the board of directors, its functions, the effectiveness and contribution of the directors, the establishment and delegation of authorities to various committees, and other issues dealing with sound corporate governance.

Aliant's board of directors and management are committed to high standards of corporate governance and have considered the report of the TSE committee on corporate governance. The board of directors believes that it is in substantial compliance with the TSE guidelines outlined in the report. The following is a summary of the company's corporate governance practices.

Composition of the board

The board is comprised of 13 directors. The TSE guidelines recommend that the majority of the directors be "unrelated". The guidelines identify an unrelated director as a person who is independent of management and free from any interest, business or other relationship, other than interests and relationships arising from share holdings, that could, or could reasonably be perceived to, materially interfere with the person's ability to act with a view to the best interest of the company. The directors have considered this definition and the relationship of each director to the company and have concluded that currently 10 of the 13 directors are considered by definition to be unrelated. Mr. Wetmore was appointed president and chief executive officer of the company on April 22, 1999 and, as such, will be a related director. Mr. Reynolds and Mr. Scott are BCE's appointees to the board. Mr. Celeste serves as the non-executive chairman of the board. By virtue of his position as chairman, he is an officer of the company. He is not, however, involved in the day-to-day management and is not, therefore, in a position of conflicting interest.

The TSE also defines a "significant shareholder" as a shareholder with the ability to exercise control over the majority of votes for the election of directors. The guidelines go on to state that the board should include a number of directors who do not have interests or relationships with either the company or a significant shareholder and who could fairly protect the investment in the company by shareholders other than the significant shareholder. Subject to regulatory approval, BCE will beneficially control 53% of the outstanding common shares of the company, and exercise control over the majority of the votes that could be cast for the election of directors. However, the investments of minority shareholders are fairly represented through unrelated directors who represent a wide cross section of business sectors and reasonable geographical areas in relation to shareholders.

Mandate of the board

The board of directors supervises management of the business and affairs of the company. Among other items, it is specifically responsible for:

- the adoption and execution of a strategic planning process for the company;
- the implementation of appropriate systems that identify and manage the principal risks to the business;
- the establishment of succession planning for senior management, including appointing, training and monitoring;
- the communications plan for the company; and
- the integrity of the company's internal accounting and management information systems.

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At Aliant, corporate governance plays an important role in the management of the business and affairs of the company. We believe that it is key to improving processes within the organization, establishing mechanisms for achieving accountability and enhancing shareholder value.

In 1999, following the formation of Aliant, the board of directors held seven meetings. The frequency of the meetings as well as the nature of the business conducted is dependent on the state of the company's affairs and the opportunities regarding the business.

The board of directors has appointed a corporate governance committee, an audit committee, a human resources and compensation committee, an investment committee and is in the process of appointing two pension committees. The following are descriptions of these committees, their mandates and activities.

Corporate governance committee

The committee is responsible for annually developing and updating a long-term plan for the composition of the board taking into account the current strengths, skills and experience of each director and the strategic direction of the company. It monitors the effectiveness of the board of directors, its size and composition, its committees and the performance of the directors. The committee is also responsible for identifying and recommending potential appointees to the board, reviewing, on an annual basis, the compensation and benefits paid to each director, and approving the appropriate induction and education program for new directors. During the year 2000, the corporate governance committee will be reviewing the skill sets required for new directors.

The corporate governance committee is composed of five outside directors, four of whom are unrelated. The committee held three meetings during 1999.

Audit committee

The audit committee reviews the company's annual and interim financial statements and other documents required by various regulatory authorities and recommends these for approval by the board of directors. The committee also reviews the scope and nature of the company's internal and external audit programs and the nature of internal controls in major accounting and financial reporting systems. The audit committee reviews the mandate and recommends the appointment of the external auditors.

The audit committee, which met four times in 1999, is composed of five outside directors, four of whom are unrelated.

Human resources and compensation committee

The human resources and compensation committee is responsible for conducting an annual review of the performance of the chief executive officer and in conjunction with him, the performance of the other senior officers. The committee also reviews and recommends to the board the annual remuneration, short-term and long-term incentive plans and succession plan for senior officers. This committee is also responsible for the periodic review of the organizational structure and management resources to ensure that they are appropriate to manage the business.

The committee is composed of five outside directors, four of whom are unrelated. This committee held three meetings during 1999.

Investment committee

The committee provides guidance and support to management during the development stages of investment proposals. It is also responsible for reviewing and analyzing potential investments and providing advice and direction to the board on the final terms and conditions of an investment, the proposed organization structure and the necessary documentation and authorization to proceed. The committee also reviews existing investments to ensure that proper business plans and strategies are in place and effective.

The committee consists of five outside directors, four of whom are unrelated. This committee met three times in 1999.

Pension fund investment committees

Until recently, the pension fund investment committees of Island Tel, MTT, NBTel and NewTel have been responsible for establishing and monitoring the policies and objectives of the pension plans for their respective employees. Aliant is in the process of establishing its own defined benefit pension investment committee ("DB committee") and defined contribution pension investment committee ("DC committee"). The DB committee will administer the investment of the funds in accordance with the trust agreements of the defined benefit pension plans of the Aliant group of companies. The DC committee will assist Aliant in carrying out its responsibilities regarding the defined contribution provisions of the Aliant group of companies. Both pension fund committees will evaluate, select, and monitor the performance of the investment managers. The DC committee will also evaluate the investment options offered to employees and provide input to the company on establishing educational programs for plan participants.

Other corporate governance matters

The corporate governance committee and the board of directors believe they will continue to function independently of management. As suggested by the TSE, the board of directors has appointed a chairman who is not the chief executive officer. The directors have access to senior management and meet when required without management or inside directors to discuss relevant issues. In addition, any individual director can engage an outside advisor at the expense of the company, with the concurrence of the corporate governance committee.

The directors consider the education and orientation of new directors fundamental to ensuring good corporate governance.

The company has established a shareholder relations service, administered by CIBC Mellon Trust, to receive and respond to shareholder or investor inquiries. The board of directors and senior management encourage inquiries from shareholders, which are dealt with promptly.

Financial information

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Our view of Aliant

Overview of Aliant's operations

General

Aliant Inc. (Aliant or the Company) was incorporated on March 9, 1999 as 3595641 Canada Inc. under the *Canada Business Corporations Act.* The Company was formed for the purposes of combining the businesses previously operated by Bruncor Inc. (Bruncor), Island Telecom Inc. (Island Tel), Maritime Telegraph and Telephone Company, Limited (Maritime) and NewTel Enterprises Limited (NEL).

Business of Aliant

Aliant is engaged in four core lines of business: telecommunications, information technology, mobile satellite communications and emerging business. Several internal reorganizations occurred in 1999 to simplify Aliant's corporate structure and to arrange various subsidiaries under these four lines of business. Further reorganizing transactions will be completed in early 2000. Aliant's telecommunications business is carried on by Aliant Telecom Inc. (Aliant Telecom), which owns, directly or indirectly, 100% of Island Tel, Maritime Tel & Tel Limited (MTT), MT&T Mobility Incorporated (MTT Mobility), NBTel Inc. (NBTel), NewTel Communications Inc. (NewTel) and NewTel Mobility Limited (NewTel Mobility).

Aliant Information Technology Inc. (Aliant IT) operates Aliant's information technology businesses. At December 31, 1999, Aliant IT owned 60% of MITI Information Technology Inc. (MITI) of Saint John, New Brunswick and 74% of xwave solutions inc. (xwave) of St. John's, Newfoundland. A further 33% interest in MITI, previously held by NBTel, and a 20% interest in xwave, previously held by MTT, were, at year-end, indirect holdings of Aliant. On January 5, 2000, these interests were transferred to Aliant IT. On February 4, Aliant acquired the remaining 7% minority interest in MITI and these shares were subsequently moved to Aliant IT.

Aliant's investment in the mobile satellite business is through Stratos Global Corporation (Stratos). During 1999, Stratos focused on the consolidation and expansion of operations acquired in 1998. On December 7, 1999, Stratos announced that it had entered into an agreement to acquire the assets of Shell Offshore Services Company (SOSCO), a provider of telecommunications services to the oil and gas sector in the Gulf of Mexico. Subject to regulatory approval, this transaction is expected to conclude in the first quarter of 2000.

The emerging business segment, carried on through Aliant Horizons Inc. (Aliant Horizons), is engaged in computer telephony integration, the delivery of digital television services over high-speed Internet Protocol networks, e-commerce, the export of software applications and the delivery of services to the offshore oil and gas industry. This segment also focuses on developing and nurturing new technology-based products and services for sale in Atlantic Canada and around the world. Among Aliant Horizons' subsidiaries and affiliates are AMI Offshore Inc. (AMI), Aliant Internet LLC, ConneCTIvity Contact Centre Solutions Inc. (ConneCTIvity), iMagicTV Inc. (iMagicTV) and NBTel Global Inc. (NBTel Global). Minority interests are also held in InfoInterActive Inc., Neuromedia Inc., Salter New Media Limited, Salter Street Films Limited, TecKnowledge Healthcare Systems Inc. and VOXCOM Incorporated (collectively the emerging investments).

Aliant is one of the largest private sector employers in Atlantic Canada with approximately 9,400 employees. Measured by revenues, Aliant, through its subsidiaries, owns and operates Canada's third largest full-service telecommunications business, providing a full range of voice and data communications carried over both wireline and wireless networks. Aliant's wireline business is made up of local, long-distance, data, multimedia and other wireline services. The wireless segment is made up of the operations of Island Tel Mobility (a division of Island Tel), MTT Mobility, NBTel Mobility (a division of NBTel), and NewTel Mobility.

The information technology group has more than 1,600 professionals and is Canada's second-largest Canadian-owned information technology services organization on a gross revenue basis. During 1999, Aliant expanded its information

technology business with a series of acquisitions. In February, MITI acquired the information technology business of Keltic Technologies Group Inc. (Keltic), adding 80 employees with operations in Newfoundland, Nova Scotia and New Brunswick. In March 1999, MITI also acquired the assets and operations of Galahad Information Systems Inc. (Galahad), an Ontario-based IT Company with 11 employees. In the second quarter, **xwave** acquired Software Kinetics Ltd. (Software Kinetics), adding 270 employees in Halifax and Ottawa. In early 2000, Aliant Telecom transferred approximately 150 information technology employees to **xwave**. In a $30 million transaction completed on January 31, 2000, **xwave** acquired Ottawa-based Prior Data Sciences Ltd. with over 250 software and systems specialists and offices in Ottawa, Toronto, Montreal and Halifax.

Primary growth for Aliant Horizons also resulted from acquisitions. In July 1999, AMI acquired K&D Industries Ltd. (K&D), a distributor of telecom and industrial equipment. In November 1999, AMI purchased St. John's-based SEA Systems Limited (SEA) and Tubecraft Atlantic Limited (Tubecraft), also of St. John's. In a separate transaction, AMI assumed direct responsibility for the operations of NewTech Instruments Limited (NewTech), an electronic manufacturer previously owned by NEL.

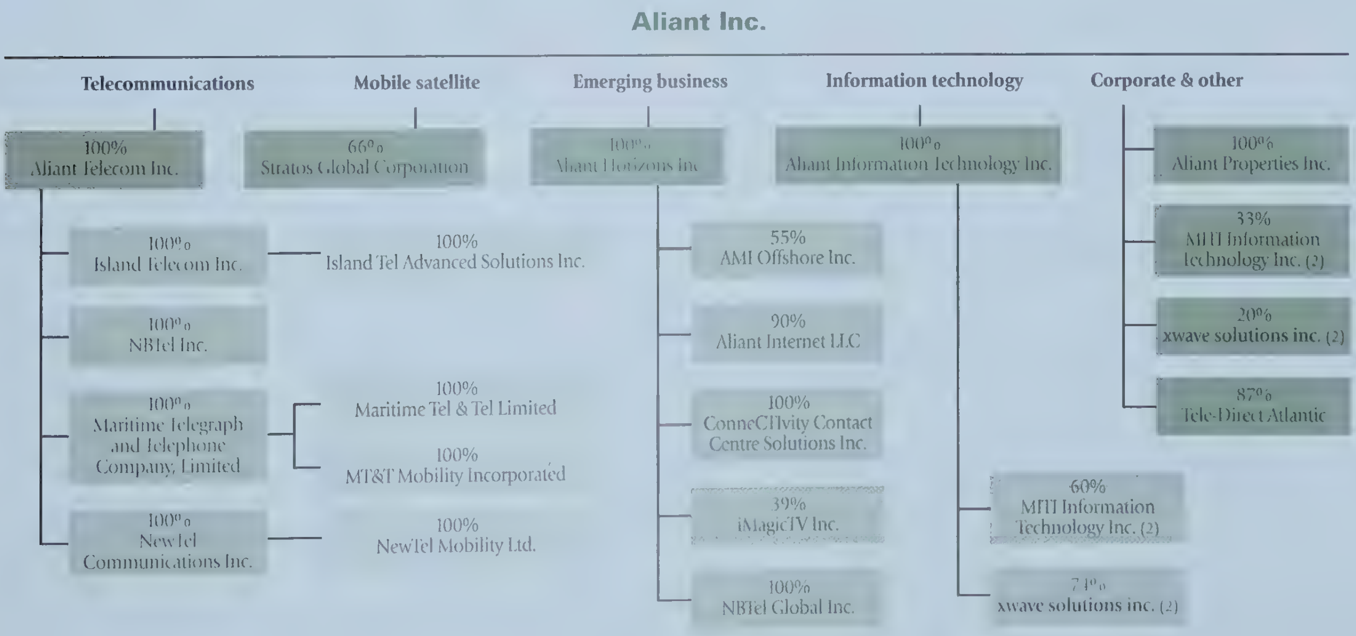
As part of Aliant's U.S. expansion strategy, Aliant Internet LLC acquired AcadiaNet, an Internet service provider located in the State of Maine and welcomed 6,000 new Internet customers to the Company.

Organization

The organization chart below shows the Company's four core lines of business, the main holding companies and their significant operating subsidiaries, as well as some other corporate subsidiaries.

Consolidated results (1)

In 1999, Aliant's consolidated operating revenues improved by 17.6% to $2.0 billion, while net income before restructuring costs and other one-time items (continuing operations) increased by 16.2% to $184.2 million. Cash flow from operations, before changes in non-cash working capital, improved due to higher net income before restructuring costs as well as to an increase in amortization expenses. Telecommunications, information technology and mobile satellite communications grew in both revenue and net income from continuing operations. Part of the growth in the information technology business resulted from acquisitions, while the growth in mobile satellite communications reflects the full-year consolidation of Stratos, which was consolidated beginning September 1, 1998.



(1) See note 1 to the consolidated financial statements.
(2) At December 31, 1999 the 33% interest in MITI previously held by NBTel and the 20% interest in xwave previously held by MTT were held indirectly by Aliant. On January 5, 2000 these interests were transferred to Aliant Information Technology Inc.

Earnings per share from continuing operations increased from $1.26 per share in 1998 to $1.46 per share in 1999. One-time restructuring costs of $78.0 million ($42.5 million after tax) include voluntary early retirement programs for employees, employee transfer costs and other costs resulting from merger integration activities. As a result of incurring these one-time costs, Aliant expects to reduce annual cash operating costs by $86 million. The following discussion of segmented results excludes the restructuring costs. The other one-time item in 1999 was a $9.2 million ($6.5 million after tax) gain on the sale of non-core assets.

Net income in 1998 was reduced by a one-time charge of $17.3 million ($12.8 million after tax) for restructuring subsidiary assets and a $3.0 million ($1.6 million after tax) charge recorded in consolidated amortization expense for the write-down of NBTel's remaining investment in hybrid fibre/coax nodes. In the second quarter of 1998, Aliant sold its minority interest in Genesys Telecommunications Laboratories Inc. of California (Genesys) for a gain of $20.7 million ($19.5 million after tax). In May 1998, Aliant sold its interest in Alouette Telecommunications Inc. (Alouette) to BCE Inc. at a gain of $10.8 million ($8.1 million after tax).

Consolidated operating results *(Thousands of dollars)*

	1999	1998	% change
Operating revenues	**$ 2,026,338**	$ 1,723,772	17.6
Operating expenses excluding restructuring costs	**1,570,506**	1,313,135	19.6
Operating income before restructuring costs	**455,832**	410,637	11.0
Restructuring costs	**78,000**	—	—
Operating income	**377,832**	410,637	(8.0)
Other income	**26,216**	10,875	141.1
Amortization	**340,602**	326,069	4.5
EBITDA	**744,650**	747,581	(0.4)
EBITDA from continuing operations	**812,467**	735,480	10.5
Net income	**148,230**	171,709	(13.7)
Net income from continuing operations	**184,224**	158,508	16.2
Operating cash flow	**$ 515,235**	$ 484,989	6.2

Reconciliation of reported net income *(Thousands of dollars, except per-share amounts)*

		1999			1998	
	Pre-tax	**After tax**	**Per share**	Pre-tax	After tax	Per share
Net income from continuing operations	**$ 350,112**	**$ 184,224**	**$ 1.46**	$ 302,280	$ 158,508	$ 1.26
One-time items						
Restructuring costs	**(78,000)**	**(42,532)**	**(0.34)**	—	—	—
Gain on sale of assets	**9,202**	**6,538**	**.05**	31,495	27,652	0.21
Restructure of assets	—	—	—	(17,307)	(12,839)	(0.10)
Amortization expense	—	—	—	(2,992)	(1,612)	(0.01)
Reported net income	**$ 281,314**	**$ 148,230**	**$ 1.17**	$ 313,476	$ 171,709	$ 1.36

Aliant consolidated quarterly statements of earnings *(Thousands of dollars, except per-share amounts)*

	1st quarter		2nd quarter		3rd quarter		4th quarter	
	1999	1998	**1999**	1998	**1999**	1998	**1999**	1998
Revenues								
Telecommunications								
Local	**$205,416**	$190,214	**$205,665**	$192,387	**$207,568**	$196,955	**$213,244**	$205,569
Long distance	**108,522**	125,978	**114,518**	124,332	**118,384**	118,806	**111,256**	111,825
Wireless	**37,303**	32,355	**42,772**	37,900	**51,286**	41,365	**47,735**	38,733
Information technology	**52,300**	12,647	**46,170**	24,500	**42,038**	33,263	**41,733**	32,816
Emerging business	**9,499**	858	**11,429**	2,179	**18,221**	4,468	**16,955**	6,326
Mobile satellite communications	**32,909**	—	**36,717**	—	**37,048**	7,835	**37,399**	29,355
Other	**29,635**	27,144	**54,719**	55,544	**41,776**	36,516	**54,121**	33,902
	475,584	389,196	**511,990**	436,842	**516,321**	439,208	**522,443**	458,526
Expenses								
Operating expenses	**297,459**	214,789	**300,243**	245,411	**304,183**	253,902	**328,019**	272,964
Amortization	**83,118**	77,959	**83,028**	80,444	**87,096**	81,358	**87,360**	86,308
Restructuring costs	**—**	—	**—**	—	**78,000**	—	**—**	—
	380,577	292,748	**383,271**	325,855	**469,279**	335,260	**415,379**	359,272
Operating income	**95,007**	96,448	**128,719**	110,987	**47,042**	103,948	**107,064**	99,254
Other income (charges)	**2,021**	174	**7,390**	26,490	**490**	(90)	**16,315**	(15,699)
Interest charges	**29,639**	26,291	**30,660**	26,611	**31,100**	26,483	**31,335**	28,651
Income before income taxes	**67,389**	70,331	**105,449**	110,866	**16,432**	77,375	**92,044**	54,904
Income taxes	**32,473**	33,306	**49,403**	41,396	**9,321**	37,599	**43,177**	28,492
Income before non-controlling interest	**34,916**	37,025	**56,046**	69,470	**7,111**	39,776	**48,867**	26,412
Non-controlling interest	**181**	201	**(59)**	239	**(254)**	302	**(1,158)**	232
Net income applicable to common shares	**$ 34,735**	$ 36,824	**$ 56,105**	$ 69,231	**$ 7,365**	$ 39,474	**$ 50,025**	$ 26,180
Average common shares	**126,093**	125,218	**126,360**	125,482	**126,575**	125,566	**126,942**	125,671
Earnings per share before restructuring costs	**$ 0.28**	$ 0.29	**$ 0.44**	$ 0.55	**$ 0.39**	$ 0.31	**$ 0.40**	$ 0.21
Earnings per share	**$ 0.28**	$ 0.29	**$ 0.44**	$ 0.55	**$ 0.06**	$ 0.31	**$ 0.40**	$ 0.21

Telecommunications

Revenues grew by 5.1% to $1.6 billion as increased revenues in local, wireless and other offset lower long-distance revenues. Both our wireline and wireless operations showed growth in revenues and net income from continuing operations.

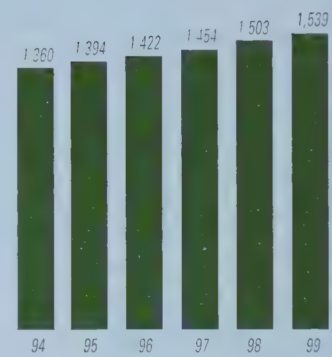
While EBITDA and net income declined due to the one-time items, EBITDA from continuing operations was up 6.9% over 1998. Net income from continuing operations was up 12.0%.

Wireline services

Wireline revenues grew by 3.7%, while operating expenses increased by 1.9%, leading to a 9.2% increase in operating income in 1999, compared with 1998. While wireline EBITDA and net income declined due to the wireline component of the one-time restructuring costs, wireline EBITDA from continuing operations was up 7.3% over 1998. Net income from continuing operations was up 13.3%.

Local revenues are earned primarily from the provision of network accesses, telephone set rentals and enhanced service options. Contribution payments for access to Aliant Telecom's local network by long-distance competitors and by Aliant Telecom are also included in local revenues. In 1999, total local revenues were $828.1 million, up $45.4 million or 5.8%, due to more network access services (NAS), higher revenues from enhanced service options, growth in data access services and more contribution revenue.

Wireline network access service
(Thousands)



Wireline network access services grew to 1,539 thousand in 1999, a 2.4% increase over 1998.

NAS grew by 2.4%, with the addition of 35,565 lines in 1999. The benefit of this increase in NAS was partially offset by a price reduction for business customers. Revenues from telephone set rentals and enhanced service options increased 14.1% and generated revenue of $76.8 million in 1999, compared to $67.3 million in 1998. Local data access service revenues increased by $8.7 million or 22.3% to $47.8 million. Strong growth in long-distance minute volumes from flat-rate pricing plans caused contribution revenue to rise by $27.6 million or 24.9%.

As long-distance pricing continued to decline in 1999, calling volumes increased, especially in the residential market. A significant driver of growth in minute volumes continues to be the toll-free market, with Aliant Telecom's large base of call centre customers. Total long-distance conversation minutes originating and toll-free minutes terminating in

Telecommunications operating results *(Thousands of dollars)*

	1999	1998	% change
Operating revenues	**$ 1,636,011**	$ 1,556,775	5.1
Operating expenses excluding restructuring costs	**1,203,603**	1,156,957	4.0
Operating income before restructuring costs	**432,408**	399,818	8.2
Restructuring costs	**78,000**	—	—
Operating income	**354,408**	399,818	(11.4)
Other income	**14,063**	1,752	702.7
Amortization	**313,523**	309,477	1.3
EBITDA	**681,994**	711,047	(4.1)
EBITDA from continuing operations	**756,189**	707,217	6.9
Net income	**146,395**	165,248	(11.4)
Net income from continuing operations	**$ 188,927**	$ 168,625	12.0

Long-distance conversation minutes
(Billions)

Long-distance conversation minutes grew to 2.854 billion in 1999, a 34% increase over 1998.

Atlantic Canada on Aliant Telecom's network increased by 34.2% from 2.126 billion in 1998 to 2.854 billion in 1999. Despite this growth, decreases in per-minute prices led to an overall decline in long-distance revenues of 5.3% compared with 1998.

Other revenues include Internet and e-commerce, equipment sales, directory advertising and miscellaneous. These were up $32.0 million, or 23.4%, over 1998. Both the residential and business Internet service enjoyed tremendous growth in 1998. Revenues from Internet and other e-commerce services increased by $11.3 million or 48.1% to $34.7 million, compared to $23.4 million in 1998. Equipment sales rose $12.6 million or 32.9% over 1998 to $51.1 million, including $7.1 million from the Company's new 50% interest in an equipment sales venture. Excluding these new revenues, growth was $5.5 million or 14.3%. Directory advertising was up slightly from $37.6 million in 1998 to $39.3 million in 1999. Other miscellaneous revenues of $43.3 million, including intellectual property revenues, were up $6.4 million, or 17.3%, over 1998. Intellectual property revenues declined $5.1 million as NBTel transferred its *LivingLAB* and a software development contract with Nortel Networks to a related company in Aliant's emerging business segment. Apart from this reduction, miscellaneous revenues were up $11.5 million. Revenues from MTT's enterprise networking service increased $3.5 million. Other increases included pole rentals, competitor charges, custom solutions and late payment charges.

Wireline operating results *(Thousands of dollars)*

	1999	1998	% change
Local	**$ 828,131**	$ 782,774	5.8
Long distance	**456,421**	481,928	(5.3)
Other	**168,358**	136,405	23.4
Operating revenues	**1,452,910**	1,401,107	3.7
Cost of revenues	**189,422**	164,700	15.0
Amortization	**293,176**	291,208	0.7
Other operating expenses excluding restructuring costs	**584,445**	591,733	(1.2)
Operating expenses excluding restructuring costs	**1,067,043**	1,047,641	1.9
Operating income before restructuring costs	**385,867**	353,466	9.2
Restructuring costs	**78,000**	—	—
Operating income	**307,867**	353,466	(12.9)
Other income	**13,938**	1,257	—
Amortization	**293,176**	291,208	0.7
EBITDA	**614,981**	645,931	(4.8)
EBITDA from continuing operations	**689,176**	642,101	7.3
Net income	**122,491**	142,275	(13.9)
Net income from continuing operations	**$ 165,023**	$ 145,652	13.3

Management anticipates total revenues will grow in 2000. Local revenue is expected to be higher from growth in NAS, higher volumes of optional enhanced service options and increases in data network access. Local competition should not have a significant impact. Given the current contribution collection mechanism and current contribution rates, increases in long-distance minutes should lead to higher contribution revenues in 2000.

Local price reductions will need to be implemented in each year of the CRTC's four-year price-cap period ending December 31, 2001. On December 15, 1999, the CRTC issued a decision from a proceeding to review the frozen contribution rate policy and to determine if changes should be made to the current contribution collection mechanism. The CRTC approved existing contribution rates and decided that the telephone companies may propose reductions in their contribution rates in special cases where they cannot otherwise adhere to their price-cap obligations.

Competition in the long-distance market will remain intense in 2000. The long-distance market is expected to grow, as flat-rate and per-minute discount plans, combined with the growing importance of communications, continue to increase usage. However, management expects a reduction in long-distance revenue for 2000 as average revenues earned per minute continue to decline. Further discussion on the impact of competition on long-distance prices can be found under the heading, Competition. New settlement agreements for both competitive toll and competitive network services became effective January 1, 2000. These new plans are expected to have a slightly negative impact on long-distance settled revenues in 2000. Growth in revenues from Internet and e-commerce solutions will continue to improve other revenues.

Cost of revenues includes cost of goods sold, settlement expense paid to other telecommunications companies to transit and terminate long-distance minutes originated on the Company's network, and contribution costs for the Company's own long-distance minutes. The 15.0% rise in cost of revenues expense reflects higher contribution and cost of goods sold offset by lower settlement. Contribution costs were higher by $22.9 million or 29.5% mainly reflecting higher minute volumes. Cost of goods sold increased by $9.6 million or 45.7% due to higher equipment sales. Settlement expense declined by $7.8 million or 11.8% in 1999 due to lower settlement rates on calls terminating on other companies' networks, offset somewhat by higher long-distance minute volumes. Starting December 1, 1998, settlement rates on all long-distance minutes were based on lower incremental costing, while 60% of the minutes prior to that date were settled using embedded costs, which were higher than current incremental costs.

Other operating expenses in 1999 include a one-time credit of $16.6 million for accounting adjustments. Without this one-time credit, other operating expenses would have been up $9.3 million or 1.6% over 1998 due to higher salaries, pension and benefits, computer operating costs and application development expenses. Total operating expenses are expected to rise slightly in 2000, reflecting more business activity and some inflationary effect. This increase will be moderated by the synergies flowing from the combination of operations among the Aliant Telecom companies. Cost of revenues will increase from growth in both settlement expenses and contribution expenses, reflecting higher long-distance minutes. Other operating expenses are expected to grow slightly due to continued growth in the wireline business.

Wireless services

Wireless revenues, expenses and operating income all increased due to strong growth in the number of customers.

Cellular revenues reflect a 29% increase in cellular customers, which numbered 298,448 at year-end 1999 versus 231,031 at the end of 1998. Average monthly revenue per cellular customer declined by about 14%. As the customer base continues to grow, a decline in average monthly revenue is being experienced. This decline is due to a broader customer

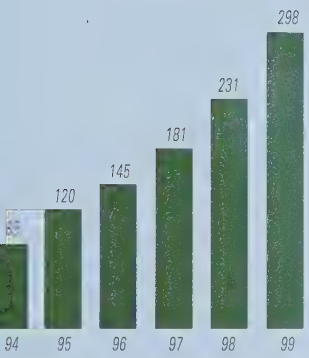
base with lower average usage habits. Also, subscription and usage prices have been reduced as Aliant Telecom continues to adapt its pricing plans to successfully meet customer preferences.

The number of paging customers also showed healthy growth of 9.0% over last year to 62,942 at year end. Revenue growth was weakened by lower average monthly revenues reflecting both price reductions and lower equipment rental volumes. Mobile revenues increased due to the launch of a new service, trunked mobile radio (TMR).

Management expects the trends from 1999 to continue contributing to the growth in wireless revenues.

Given the significant growth in Aliant's wireless customer base, supporting operating expenses also increased for the year. Amortization expense was higher by 11.4% due mainly to greater network plant investment to support growth and new services. Other operating expenses in 1999 include a one-time charge of $9.9 million for accounting adjustments. Without this one-time charge, other operating expenses would have been up 18.7%. Growth occurred in salaries and benefits, facilities costs, advertising and commissions – all of which changed with customer growth. Wireless operating expenses will be higher in 2000 due to the considerable growth in the number of customers.

Cellular access service
(Thousands)



Cellular access services grew to 298 thousand in 1999, a 29% increase over 1998.

Telecommunications operating environment and business trends

The telecommunications industry is currently facing a rate of change unprecedented since the invention of the telephone. Industry participants, government regulation and traditional business alliances have had to cope with fierce competition, new technology, and the effects of merger and acquisition activity. In this environment, Aliant Telecom has been evolving its business to take advantage of new technologies and competitive markets. New sources of revenue are being developed and efficiency gains are being made in the provision of existing services. Management intends to

Wireless operating results *(Thousands of dollars)*

	1999	1998	% change
Cellular	**$ 162,679**	$ 137,755	18.1
Paging	**11,238**	11,277	(0.3)
Mobile	**9,184**	6,636	38.4
Operating revenues	**183,101**	155,668	17.6
Cost of revenues	**8,192**	8,399	(2.5)
Amortization	**20,347**	18,269	11.4
Other operating expenses	**108,021**	82,648	30.7
Operating expenses	**136,560**	109,316	24.9
Operating income	**46,541**	46,352	0.4
Other income	**125**	495	(74.7)
Amortization	**20,347**	18,269	11.4
EBITDA	**67,013**	65,116	2.9
Net income	**$ 23,904**	$ 22,973	4.1

continue to grow net earnings by focusing on higher-margin services and branching into complementary growth areas of telecommunications where the Company has a particular expertise. Growth through acquisitions may form part of this strategy. The result of all this change, while exciting given its potential benefits, is an environment of increased risk and uncertainty.

Regulation of the telecommunications industry

As "Canadian Carriers", Aliant Telecom's main operating telephone companies are regulated by the CRTC pursuant to the Telecommunications Act. In 1999, the CRTC released several decisions dealing with the price-cap regime, contribution rates, funding for high-cost service areas, forbearance, bundling and new media and Internet. These decisions, which are described in Aliant Telecom's Annual Information Form for the year-ended December 31, 1999 result in both opportunities and challenges for Aliant Telecom.

Competition

Aliant Telecom is the major provider of telecommunications services in Atlantic Canada. It is not dependent on any single customer for 10% or more of its revenues or income, but larger business customers account for a significant portion of revenues. Direct competition occurs for most services offered by Aliant Telecom.

Aliant Telecom has put in place the software, equipment and procedures to allow for local number portability (LNP), local network interconnection (LNI) and the resale of local loops in Halifax, Saint John and St. John's. In October 1998 and in December 1999, competitive local exchange carriers (CLECs) began providing competitive access to residential and business customers in Halifax and St. John's, respectively. Competitors for local services are expected in other Atlantic Canadian markets in 2000. There are over 30 competitors for long-distance services in Atlantic Canada, while the mobility operations have two competitors for cellular services and three major competitors in paging services.

Long-distance competition continued to be strong in 1999. Flat-rate monthly pricing packages were introduced in the residential market during mid 1998 and per-minute rates continued to decline in the business market. Management expects these pressures to persist and long-distance margins will continue to narrow, although the speed at which prices fell in 1999 should moderate in 2000. These effects, combined with lower prices have substantially reduced incremental revenue from higher long-distance volumes. Aliant Telecom continues to focus on maintaining margins through improved efficiency and stable market share. Aliant Telecom estimates its share of the Atlantic Canada long-distance market was 86% at the end of 1999, up from 82% at the end of 1998. The increase in market share was achieved through the bundling of long distance with other services such as local and Internet services.

In its cellular business, Aliant Telecom is using innovative approaches to meet customer needs and to maintain its strong market position in each of the Atlantic Canadian markets. 1999 saw the continued expansion of analog cellular to provide coverage in additional markets and also to meet capacity requirements driven by strong cellular airtime growth. In Nova Scotia and New Brunswick analog coverage is provided to approximately 95% of the population, while Prince Edward Island has virtually 100% analog coverage. In Newfoundland, approximately 75% of the population is currently covered by analog service and, during 1999, NewTel Mobility installed eight additional sites and three repeaters to expand its coverage. 1999 also saw digital cellular service introduced in some areas of New Brunswick and Newfoundland, and expanded in Nova Scotia.

1999 saw the entrance of a national digital cellular competitor to the Halifax market and a second competitor installed a digital cellular network in St. John's, although they have yet to launch their service. Although Aliant Telecom believes that some cellular market share could eventually be lost to new competitors, management is confident superior service offerings will help the Company retain a strong market position.

Aliant Telecom market share
(Estimated)

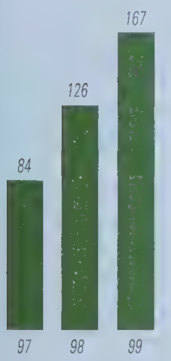
Market and technology conditions will be closely monitored to ensure digital services are deployed to the rest of the region at the time that best serves customer needs.

In 1999, Aliant Telecom introduced new wireless services such as *InforMe Messaging,*™ that allows digital cellular customers to receive short-text messages on their cellular phone via the Internet, e-mail and PC messaging software, and enhanced 911 services. Prepaid cellular service was introduced in New Brunswick in February and Nova Scotia in March. Wireless data services were also developed and introduced, on a trial basis, in 1999, enabling MTT Mobility to provide wireless data public safety applications. Aliant Telecom is currently negotiating with municipal representatives regarding the launch of cellular data services in New Brunswick.

The level of paging services was improved by the installation in southern New Brunswick of a new paging network, with further expansion planned as required to meet customer needs. The increased competitive pressures in the paging market have helped to stimulate strong growth in the overall demand for paging services.

Aliant Telecom is the major Internet service provider (ISP) in Atlantic Canada, with an estimated market share of 65% of the total consumer Internet market. In addition to regular dial-up Internet service, which is available throughout the region, Aliant Telecom offers high-speed Internet services to a growing number of Atlantic communities. High-speed capability now passes 290,000 homes in Atlantic Canada and is expected to increase to 370,000 homes by year-end 2000 through significant investments in digital subscriber line (DSL) technologies. Over 18% of all homes in Atlantic Canada now receive Internet services from Aliant Telecom. Competition exists throughout the region for both Internet dial-up and high-speed services. However, Aliant Telecom's focus on quality, customer service, and its range of applications, along with the dedicated two-way access on its high-speed network, will enable the Company to maintain its strong market position into the future.

Aliant Telecom Internet customers
(Thousands)



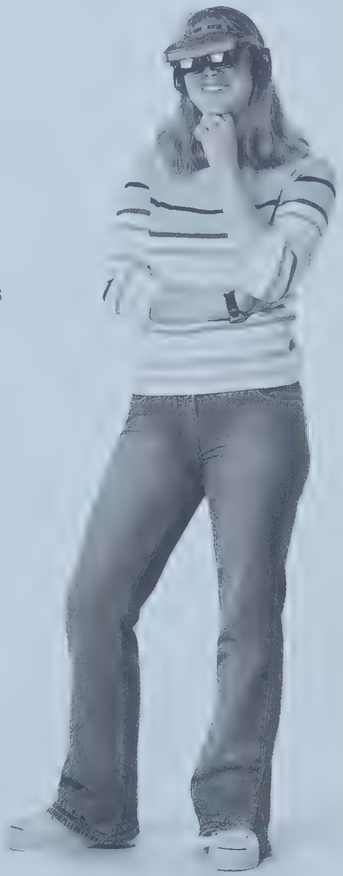
Internet customers grew to 167 thousand in 1999, a 33% increase over 1998.

Aliant Telecom considers the growth and retention of the Internet customer base to be a key component in its strategy to build the interactive multimedia business and migrate it to a broadband network. NBTel's multimedia offering was enhanced in 1999 with the launch of its digital television service in Moncton. Aliant Telecom plans to expand this service to Saint John in mid-2000 and has applied to the CRTC for a license to serve metropolitan Halifax. Service will also be offered in other areas of the Atlantic Provinces assuming favourable market conditions, the economics of available technology, and the approval of the CRTC.

Despite increasing competition in all areas, management believes the Company should be able to gain a significant portion of the new markets it is entering, while continuing to be successful in existing markets. This confidence is founded on the Company's dedicated employees who are committed to meeting customer needs through superior service, a price structure that provides good value, an advanced telecommunications infrastructure, innovative products and services, and high productivity.

Technology

The major technological challenge facing Aliant Telecom over the coming years is to deploy a "next generation network" infrastructure that takes into account shortened product life cycles and facilitates the convergence of different market segments – all while satisfying customer demands for new products and services at competitive prices. Technological advances may also affect Aliant Telecom's level of earnings by shortening the useful life of some of its assets. Further, technological advances may well emerge that could reduce or replace the costs of plant and equipment, and eliminate or reduce barriers



that deter other companies from competing in particular market segments. The merger into Aliant and the formation of Aliant Telecom has reduced this technology risk as Aliant Telecom can now share resources, investment and knowledge among its operating companies.

Information technology

MITI was acquired in April 1998 and was amalgamated with Datacor/ISM Information Systems Management Atlantic Corp. (Datacor) in September 1998, continuing under the MITI name. In 1998, NBTel acquired 100% ownership of Datacor by purchasing a 49% voting interest from two minority shareholders. **xwave** was formed on December 31, 1998 by amalgamating several subsidiaries of NEL (the Predecessor Companies): NewTel Information Solutions Limited, Paragon Information Systems Inc., Minerva Technology Inc. (Minerva) and 10735 Newfoundland Limited, including its wholly owned subsidiary, Minerva Technology, Inc. (Minerva Dallas), now **xwave solutions corp.**, a Texas company.

During 1999, Aliant IT completed a series of acquisitions. In February and March respectively, MITI acquired the information technology business of Keltic of Halifax and Galahad, an Ontario-based IT Company. In the second quarter, **xwave** acquired Software Kinetics with offices in Halifax and Ottawa. At December 31, 1999, Aliant IT had 1,687 employees, up 54.6% from 1,091 at the end of 1998.

The following information technology operating results include those of Minerva and Minerva Dallas from March 31, 1998, and the 1999 acquisitions from the dates of acquisition.

1999 growth occurred in professional, technical and processing service revenue and product sales. Revenue in both categories benefited from internal growth and acquisitions. The gross profit margin on product sales declined from 15.0% in 1998 to 8.3% in 1999 due to competitive pricing pressures and changes in the mix of products sold. Despite lower margins on product sales, the overall operating margin declined only slightly from 10.9% in 1998 to 9.4% as service margins improved through the achievement of greater operating efficiencies. Net income was higher by $3.7 million, a 47.2% increase over 1998.

Revenues of Aliant IT are expected to grow significantly over the next few years. Greater operating efficiencies are expected in 2000 as MITI and **xwave** continue to grow. Both companies have ambitious expansion plans, which may involve further acquisitions to extend geographic presence and derive further economies of scale.

Aliant IT concentrates on clients in a variety of sectors including oil and gas, telecommunications and government. Within specific regions, Aliant IT targets additional sectors, which, over time, may grow into new target verticals. Aliant IT will supplement this industry orientation with specialty practices focused on high-growth and advanced technologies, including electronic commerce. Aliant IT has offices

Information technology operating results *(Thousands of dollars)*

	1999	1998	% change
Service revenues	**$ 164,130**	$ 92,453	77.5
Product sales	**88,512**	53,982	64.0
Total operating revenues	**252,642**	146,435	72.5
Cost of revenues	**81,134**	45,889	76.8
Amortization	**8,986**	7,298	23.1
Other operating expense	**138,877**	77,307	79.6
Total operating expense	**228,997**	130,494	75.5
Operating income	**23,645**	15,941	48.3
EBITDA	**32,837**	23,281	41.0
Net income	**$ 11,451**	$ 7,779	47.2

throughout Atlantic Canada and in Montreal, Ottawa, Toronto, Calgary, Edmonton, and Dallas, Texas. Aliant IT intends to continue to diversify its geographic sources of revenues.

Aliant IT has key strengths to address the opportunities and challenges of its growth strategy. It has experienced senior managers, some of whom have worked for successful international and global IT consulting firms. The Company has long-term relationships with key clients in its prime industry sectors. Aliant will continue to invest in market development activities, the creation of client-focused solutions and in its people to ensure they are properly skilled to deliver value.

Mobile satellite communications

During 1999, through a series of transactions, Aliant increased its share ownership in Stratos to approximately 66%.

Stratos is a Canadian public company involved in providing data and voice communication solutions to customers in remote locations utilizing various technologies. Stratos was, until 1997, a holding company with various equity interests in unrelated businesses. Since 1997, Stratos has focused on its mobile and remote satellite communications business and has experienced rapid growth.

In 1998, Stratos completed four strategic acquisitions: MarineSat Communications Networks, Inc. (MCN), Nova-Net Communications, Inc. (Nova-Net), the marine satellite business of American Mobile Satellite Corp. (AMSC) and Teleglobe Inc.'s Inmarsat business and related assets (Teleglobe Assets). Both MCN and AMSC are distributors of satellite communications services over the U.S. regional MSAT system. These companies provide voice and data communications services to yachts, pleasure crafts, and commercial vessels operating off the North American coast (within 320 kilometers), the Caribbean, Hawaii, and portions of South America. Nova-Net represents Stratos' entry into the high-growth very small aperture terminal (VSAT) business. Nova-Net provides data communication services via satellite to the oil and gas, energy and consumer sectors throughout North America.

During fiscal 1999, Stratos concentrated on integrating the acquisitions completed in late 1998, as well as launching new communications services. In the summer, Stratos introduced its global high-speed data lease service which allows customers to purchase dedicated leased capacity capable of transmitting between 64 and 256 kilo bits per second (kbps) of data through Inmarsat-B terminals. In the fall of 1999, Stratos introduced Inmarsat-M4, a truly portable high-speed data and voice service. Inmarsat-M4 service extends full office functionality to remote users anywhere in the world through laptop-sized terminals weighing less than 6 kg. High-speed data services (56/64 kbps) such as Internet Web access and e-mail, video conferencing and high-resolution image transfer capabilities are all possible in addition to standard voice services.

Also in 1999, Stratos completed the sale of its last remaining non-core asset, a 28.3% common share ownership in American BOA, a Georgia-based manufacturer of

Mobile satellite communications operating results *(Thousands of dollars)*

	1999	1998	% change
Operating revenues	**$ 144,073**	$ 37,190	287.4
Cost of revenues	**95,438**	25,288	277.4
Amortization	**9,791**	3,338	193.3
Other operating expense	**24,995**	6,485	285.4
Total operating expense	**130,224**	35,111	270.9
Operating income	**13,849**	2,079	566.1
EBITDA	**30,739**	6,965	341.3
Net income	**$ 3,977**	$ 365	989.6

automotive decoupling joints and flexible metal hoses, recognizing a gain of approximately $4.5 million.

As a result of the acquisitions and dispositions described above, Stratos is now a different company than it was in 1997. Stratos' revenues, a significant portion of which are generated in U.S. dollars, are now derived principally from the sale of mobile and fixed satellite airtime contracts of Inmarsat, MSAT, VSAT, C-Band, and hand-held satellite services, with a portion attributable to the sale of equipment and specialized communications software and hardware.

Aliant acquired control of Stratos in August 1998 and consequently Aliant's 1998 results only reflect the operations of Stratos from September 1 to December 31, 1998.

The acquired businesses produced higher profit margins than Stratos' historical businesses contributing to an overall improvement in gross margin from 32.0% in 1998 to 33.8% in 1999. In addition, Stratos continued to modernize and improve its existing networks, which also helped reduce costs and improve profitability. Other operating expenses grew in line with growth in revenue. Net income increased, on a percentage basis, by more than the growth in revenues due to improving margins and economies of scale.

While no acquisitions were completed in 1999, Stratos announced an agreement to acquire the assets of SOSCO, a leading provider of remote communication services to offshore platforms in the Gulf of Mexico. SOSCO currently services over 250 rigs through a state-of-the-art digital microwave system. The transaction is subject to regulatory approvals and is expected to close by the end of March 2000.

Aside from the SOSCO acquisition, Stratos anticipates making capital expenditures of approximately $10.5 million in 2000. Stratos anticipates that it will continue to make investments in infrastructure, where appropriate, including the construction and upgrade of network switching systems, satellite land earth stations and other mobile satellite equipment. In addition, other strategic acquisitions and joint venture opportunities will be considered to complement and enhance its business.

Since the designation of Stratos' wholly owned subsidiary, Stratos Wireless Inc. (SWI), as the new Canadian signatory to Inmarsat in August 1998, the regulatory framework governing the provision of mobile satellite services in Canada has changed significantly in support of Canada's efforts to liberalize the mobile satellite services market. Stratos is also affected by regulatory decisions in the U.S. as its subsidiaries provide services there. A description of changes, decisions, on-going proceedings and issues in the regulatory environment is provided in Aliant's Annual Information Form for the year ended December 31, 1999.

Emerging business

Aliant Horizons focuses on developing new technology-based products and services through extracting and realizing the value of intellectual property and innovation being created within the Aliant family. Aliant's investment in iMagicTV is a good example. iMagicTV developed software that allows interactive digital television and other services to be delivered to homes over a high-speed IP network, including existing copper telephone wires using DSL technology. The need was first identified by NBTel and

Emerging business operating results *(Thousands of dollars)*

	1999	1998	% change
Operating revenues	**$ 61,033**	$ 21,059	189.8
Cost of revenues	**27,248**	8,363	225.8
Amortization	**2,849**	3,074	(7.3)
Other operating expenses	**34,440**	15,568	121.2
Total operating expenses	**64,537**	27,005	139.0
Operating income	**(3,504)**	(5,946)	41.1
EBITDA	**4,494**	611	635.5
Net income	**$ 2,651**	$ 6,005	(55.9)

has been developed by iMagicTV. During the year, NBTel completed a market trial using iMagicTV's software and launched services in Moncton. Aliant Telecom plans to offer the service in Saint John and in Halifax in mid-2000, subject to receiving a license from the CRTC. In June 1999, iMagicTV entered into contracts with Kingston Vision, a subsidiary of UK-based Kingston Communications (Hull) plc to use iMagicTV's DTV Manager software to deliver interactive television services, including digital TV channels, Web-based e-mail, high-speed Internet and video on demand. While there will be competition for iMagicTV, the worldwide market size should provide Aliant Horizons with its largest new growth opportunity.

Aliant Horizons reported revenues of $61.0 million for the period ended December 31, 1999, compared to $21.1 million in 1998, an increase of 189.8%. Net income declined from $6.0 million to $2.7 million in 1999. The 1998 results contained an investment gain on the sale of Genesys shares, offset by one-time charges for restructuring subsidiary assets. Excluding these impacts, earnings in 1998 would have been a loss of $3.1 million.

Aliant Horizons' results, which are discussed below, are affected by a number of transactions, which occurred during the comparative periods. These transactions include Aliant's initial acquisition of a 62.5% interest in AMI in November 1998. AMI then acquired K&D early in the third quarter of 1999, while its acquisitions of SEA and Tubecraft closed in mid-November 1999. Aliant Internet LLC acquired AcadiaNet in mid December 1999. In a separate transaction, which closed in December 1999, Aliant Horizons' interest in iMagicTV was reduced to 39% from just over 50%.

The $40.0 million growth in revenues, as well as the increase in expense of $37.5 million, were due mainly to the acquisition of AMI late in 1998 and AMI's subsequent 1999 acquisitions. Revenue from AMI (including NewTech) increased by $26.2 million to $36.6 million, while associated operating expense grew by $25.3 million to $34.6 million. AMI's contribution to Aliant's net income increased by $0.8 million to $1.5 million.

NBTel Global also contributed substantial growth in revenues over 1998 as its revenues were up $11.3 million to $20.5 million. Of this increase, $4.1 million was due to the transfer of business activities previously carried on by Aliant Telecom. Apart from the transfer, revenues were up $7.5 million over 1998 due to higher software sales and professional services. NBTel Global's operating expenses decreased by $0.9 million, year over year, as some business activities were transferred to Aliant Telecom. Excluding the one-time charge for restructuring subsidiary assets, NBTel Global's contribution to net income was $3.9 million, up from a loss of $3.7 million in 1998.

As iMagicTV emerged from its start-up phase, its development, sales and marketing costs increased by $8.5 million to $10.2 million year over year, contributing to an overall expense increase in Aliant Horizons. iMagicTV's contribution to Aliant's net income decreased by $0.9 million to a loss of $1.1 million.

ConneCTIvity was accounted for on an equity basis in 1998, as Aliant only owned a one-third interest during 1998. Aliant Horizons now owns 100% of ConneCTIvity and therefore its associated revenues and expenses are now included in Aliant Horizons' results. ConneCTIvity added revenues of $2.3 million and operating expenses of $4.9 million. ConneCTIvity's contribution to Aliant Horizons' 1999 results was a loss of $0.6 million.

Aliant Horizons' strategic investments allow the Company to pursue complementary initiatives and promising technologies outside its existing operations, sharing knowledge, resources and financing with others. These minority investments are accounted for on a cost basis and therefore are not reflected in Aliant Horizons' current operating results.

Consolidated results

Aliant's interest coverage ratio before taxes, including the one-time restructuring costs, declined to 3.3 times in 1999, down from 3.9 times in 1998. Excluding the one-time restructuring costs, interest coverage would have been 3.9 times.

Interest expense increased from $108.0 million in 1998 to $122.7 million in 1999.

This increase reflects the full-year effect of consolidating Stratos' debt, as well as debt added to finance new investments in 1999. In the last quarter of 1999, the Company refinanced $105 million of telco-related short-term debt with long-term debt issued by Aliant Telecom. This raised the amount of long-term debt on the balance sheet and increased costs moderately, but reduced the Company's floating rate exposure and reliance on temporary financing. Some long-term debt at Aliant Telecom was also refinanced in both 1998 and 1999 at lower average interest rates.

Aliant's income tax provision decreased by 4.6% from $140.8 million in 1998 to $134.4 million in 1999. This resulted from the lower taxable income, offset by a small increase in the effective tax rate from 44.90% in 1998 to 46.06% in 1999. The statutory combined federal and provincial tax rate has remained the same over the last two years.

Year 2000 issue

Year 2000-readiness programs resident within each of the Aliant companies remained intact throughout the 1999 business combination activities. The mandate shared by every Aliant Year 2000 program was to ensure corporate operations and services were not impaired by Year 2000 date-related computer malfunctions, and that any Year 2000 upgrades and conversions would occur with the least possible impact to Aliant customers. At the conclusion of 1999, each Aliant company had achieved its goal to be Year 2000 ready. Prior to and including the whole of 1999, the Aliant Telecom companies had been collaborating on a variety of Year 2000 and related projects, and together celebrated a number of accomplishments throughout the year. In February 1999, the CSM 2000+ billing system was implemented in each of the four Aliant Telecom companies, marking a successful collaboration that brought improved and consistent billing options to each company and addressed many Year 2000-related billing concerns.

By July, Aliant Telecom companies became "business ready", meaning all network components and operating systems that affect customer service were Year 2000 ready. This included provisioning, service assurance, and billing components and systems. During the fourth quarter 1999, each of the Aliant Telecom companies tested both individual and shared business continuity plans, finalized their crisis communications plans and created and tested the functionality of emergency operations centres in each of the four Atlantic provinces.

The Year 2000 preparedness efforts were rewarded on December 31, 1999 and January 1, 2000 when all of our local, provincial, national and international systems and connections continued to operate without incident.

Liquidity and capital resources

Aliant's cash flow from operations, net of changes in working capital, declined slightly from $450.1 million in 1998 to $435.0 million in 1999. This is attributed to a reduction in the change in non-cash working capital. Cash from operations is expected to decline slightly in 2000 as a result of the payments associated with the 1999 restructuring costs.

Aliant's consolidated net capital expenditures were $365.6 million in 1999, compared with $305.1 million in 1998. The telecommunications segment accounted for over 87% of the expenditures.

Telecommunications capital expenditures were influenced by additional spending in Internet and wireless although spending in the voice wireline business declined. Aliant has made fairly heavy investments in the last three years in advancing the capacity and scope of its broadband multimedia network. Evolving the communications network to be able to carry and manage broadband services is essential to the future growth of Aliant. Many new sources of revenue with the greatest growth potential in the next few years are

from services that will be offered over this network. These include Internet, e-commerce, broadband data transmission and interactive television services.

Spending by Aliant IT resulted from investments to spur internal growth and from new acquisitions. The emerging business capital expenditures reflect the consolidation of ConneCTIvity's spending in 1999, a full year of AMI's results and AMI's acquisitions. Capital expenditures for mobile satellite communications reflect the full year consolidation of Stratos. In addition, Stratos incurred additional expenditures in 1999 to upgrade its information technology systems for Year 2000 compliance and to expand its high-speed data services. Capital expenditures of approximately $335 million are anticipated for Aliant in each of the years 2000 to 2002.

Financing activities

Telecommunications

The primary external source of financing for Aliant Telecom's operations are long-term debt issued to the public. For the foreseeable future, Aliant Telecom will obtain its short-term debt and common equity financing from Aliant. In October 1999, Aliant Telecom filed a shelf prospectus for the issue of $350 million of medium term notes (MTNs) in the Canadian market. The Aliant Telecom companies have agreed they will no longer issue securities to the public and will rely on Aliant Telecom to source all of their long-term debt financing needs. Equity financing, if required by Aliant Telecom companies, will be obtained from Aliant Telecom and short-term debt from Aliant. Aliant Telecom's four main operating telephone companies have guaranteed severally 175% of the aggregate amount of Aliant Telecom debt outstanding. During 1999, Aliant Telecom issued $200 million of MTNs to refinance $185 million of both short ($70 million) and long-term debt ($115 million). The remaining $15 million will be used to finance a portion of Aliant Telecom's requirements in 2000.

The following long-term debt issues were refinanced with proceeds from Aliant Telecom's MTN issue:

- Maritime's $24.7 million of notes which matured June 15, 1999
- NBTel's $30 million Series AB debenture matured October 16, 1999
- MTT's $60 million Series AE bonds matured December 15, 1999

During 2000, $125.0 million of long-term debt matures, consisting of a $50 million NBTel debenture issue and a $75 million NewTel first mortgage bond issue.

Information technology

The primary sources of financing for Aliant IT are debt and equity investments from Aliant. MITI and xwave both have lines of credit from Canadian chartered banks amounting in aggregate to $17 million.

Mobile satellite communications

In 1998, Stratos funded its operations through borrowings under its Bridge Facility and cash generated from operations. In June, 1998 Stratos secured financing under the Bridge Facility in the amount of US$75 million to partially fund acquisitions. On September 10, 1998, Stratos borrowed approximately US$54 million under the Bridge Facility to fund its acquisition of the Teleglobe Assets. The Bridge Facility was repayable in March 1999, but was extended by agreement between Stratos and the Bridge Facility lenders. In December 1999, Stratos converted the Bridge Facility into a 4.5-year amortizing term loan. In addition, Stratos has a $25 million revolving line of credit with a syndicate of Canadian chartered banks.

Capital expenditures *(Thousands of dollars)*

	1999	1998	% change
Telecommunications	$ **319,070**	$ 292,750	9.0
Information technology	**9,035**	5,872	53.9
Mobile satellite communications	**13,314**	2,339	469.2
Emerging business	**12,446**	425	—
Other	**11,754**	3,669	220.4
Total	$ **365,619**	$ 305,055	19.9

Corporate

Existing sources of financing available to Aliant include its short-term credit facilities through the banking system and on the public markets and issues of long-term debt and equity to the public. During the year, Aliant issued $31.1 million of common stock under its dividend reinvestment plan, the employee stock plans of its subsidiaries, the exercise of stock options and as shares issued pursuant to acquisition transactions. Aliant maintains lines of credit totaling $500 million in aggregate with its bankers of which $350 million is a committed facility supporting the Company's $350 million commercial paper program. Aliant also has a current credit with Bell Canada International in the amount of $55 million. As at December 31, 1999, a total of $170 million were drawn on these lines. Total dividends paid by Aliant to its shareholders rose from 1998 levels as Aliant increased its quarterly common share dividend relative to what the merged companies were paying in aggregate in 1998. It is anticipated that Aliant will continue to generate sufficient internal cash flow to provide for dividend payments, as and when such dividends are declared, and to fund its capital expenditures and some new investments.

Capital Structure

Aliant's year end consolidated capital structure is shown in the table below.

The outstanding debt of Aliant and Aliant Telecom was rated for the first time and each of Aliant Telecom's four main operating telephone companies were confirmed by Dominion Bond Rating Service (DBRS), Canadian Bond Rating Service (CBRS) and Standard & Poor's (S&P) as indicated below.

Capital structure

	1999	1998
Common equity	**44.9%**	44.2%
Long-term debt (including current portion)	**48.2%**	46.9%
Short-term debt	**6.9%**	8.9%
	100.0%	100.0%

Debt ratings

Debt	*DBRS*	*S&P*	*CBRS*
Island Tel first mortgage bonds	BBB (high) stable	—	BBB + + stable
MTT first mortgage bonds	A stable	—	A + stable
MTT debentures	A (low) stable	—	A stable
NBTel debentures	A stable	—	A (high) stable
NewTel first mortgage bonds	A (low) stable	—	A stable
Aliant Telecom notes	A stable	A stable	A stable
Aliant commercial paper	R-1 (low) stable	A stable	A-1 (low) stable
Aliant long-term debt	A (low) stable	A stable	—

Responsibility

Management report

The accompanying financial statements of Aliant Inc. and all information in this annual report are the responsibility of management and have been approved by the board of directors. The financial statements are based upon management's best estimates and judgements and have been prepared within the guidelines of generally accepted accounting principles appropriate in the circumstances. Financial information used elsewhere in the annual report is consistent with that in the financial statements.

To ensure the integrity and objectivity of the data, management maintains a system of internal controls comprising written policies, procedures and a comprehensive internal audit program which provides reasonable assurance that transactions are recorded and executed in accordance with its authorization, that assets are properly safeguarded and that reliable financial records are maintained.

The responsibility of the board of directors is pursued principally through the audit committee, which meets periodically with management and the internal and external auditors to review accounting principles, practices and internal controls.

The shareholders' external auditors have free access to the audit committee both with and without management present. The report on their review, which provides an independent assessment of the system of internal controls and the compliance of the financial statements with generally accepted accounting principles, is shown opposite.

Stephen Wetmore
President and Chief Executive Officer

Robert H. Benson
Executive Vice-President and Chief Financial Officer
St. John's, Newfoundland, February 9, 2000

Auditors' report

We have audited the consolidated balance sheets of Aliant Inc. as at December 31, 1999 and 1998 and the consolidated statements of income, retained earnings and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1999 and 1998 and the results of its operations and cash flows for the years then ended in accordance with generally accepted accounting principles.

Deloitte & Touche LLP

Deloitte & Touche LLP

Ernst & Young LLP

Ernst & Young LLP
St. John's, Newfoundland, February 9, 2000

anagement and auditors' reports

The numbers

Consolidated balance sheets

(Thousands of dollars) *As at December 31*	1999	1998
ASSETS		
Current assets		
Cash	**$ 26,954**	$ 20,019
Accounts receivable	**417,157**	323,927
Inventory	**31,640**	19,996
Prepayments	**20,080**	23,743
	495,831	387,685
Capital assets – net *(note 5)*	**2,094,369**	2,060,172
Other assets		
Long-term investments *(note 6)*	**52,708**	45,362
Prepaid pension cost	**77,565**	62,240
Deferred charges	**27,384**	16,349
Goodwill *(note 7)*	**127,099**	105,183
	284,756	229,134
Total assets	**$ 2,874,956**	$ 2,676,991

See accompanying notes to the consolidated financial statements

(Thousands of dollars)
As at December 31

	1999	1998
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank indebtedness	**$ 40,590**	$ 7,643
Notes payable *(note 8)*	**170,135**	209,707
Payables and accruals	**313,026**	263,786
Long-term debt due within one year *(note 9)*	**133,857**	117,407
	657,608	598,543
Long-term debt *(note 9)*	**1,053,716**	990,139
Deferred income taxes	**13,308**	5,809
Deferred credits	**9,657**	4,002
Non-controlling interest *(note 11)*	**34,867**	36,882
Shareholders' equity		
Capital stock *(note 12)*	**691,413**	660,266
Contributed surplus	**69,320**	69,320
Retained earnings	**345,067**	312,030
	1,105,800	1,041,616
Total liabilities and shareholders' equity	**$2,874,956**	$ 2,676,991

See accompanying notes to the consolidated financial statements

Signed on behalf of the board of directors:

Edward Reevey
Director

Charles White, QC
Director

Consolidated statements of income

(Thousands of dollars, except per-share amounts) *For the years ended December 31*	1999	1998
Operating revenues *(note 18)*	**$ 2,026,338**	$ 1,723,772
Expenses		
Cost of operating revenues	**401,435**	252,641
Operating expenses	**828,469**	734,425
Amortization	**340,602**	326,069
Restructuring costs *(note 3)*	**78,000**	—
	1,648,506	1,313,135
Operating income	**377,832**	410,637
Other income	**26,216**	10,875
Interest charges		
Interest on long-term debt	**106,827**	96,892
Other interest	**15,907**	11,144
	122,734	108,036
Income before underlisted items	**281,314**	313,476
Income taxes	**134,374**	140,793
Income before non-controlling interest	**146,940**	172,683
Non-controlling interest	**(1,290)**	974
Net income	**$ 148,230**	$ 171,709
Earnings per common share *(Based on average number of shares outstanding)*		
After restructuring costs	**$ 1.17**	$ 1.36
Before restructuring costs	**$ 1.51**	$ 1.36

See accompanying notes to the consolidated financial statements

Consolidated statements of retained earnings

(Thousands of dollars) *For the years ended December 31*	1999	1998
Balance, beginning of year	**$ 312,030**	$ 235,537
Net income	**148,230**	171,709
	460,260	407,246
Merger costs *(note 3)*	**(8,888)**	—
Dividends on common shares	**(106,305)**	(95,216)
Balance, end of year	**$ 345,067**	$ 312,030

See accompanying notes to the consolidated financial statements

Consolidated statements of cash flows

(Thousands of dollars) *For the years ended December 31*	1999	1998
Cash and cash equivalents from (used in) operations		
Net income	$ 148,230	$ 171,709
Add (deduct) non-cash items		
Amortization	340,602	326,069
Other non-cash items	(16,643)	(16,450)
Share in earnings of equity accounted investments	1,804	2,687
Non-controlling interest	(1,290)	974
	472,703	484,989
Restructuring costs, net of income taxes of $35,468	42,532	—
	515,235	484,989
Change in non-cash working capital	(80,260)	(34,938)
	434,975	450,051
Cash and cash equivalents from (used in) financing		
Proceeds from issue of common shares	31,147	21,328
Proceeds from long-term debt	203,451	83,630
Repayment of long-term debt	(123,423)	(4,727)
Dividends paid	(106,305)	(95,216)
Increase (decrease) in notes payable	(55,039)	10,195
	(50,169)	15,210
Cash and cash equivalents from (used in) investing		
Capital expenditures	(365,619)	(305,055)
Merger acquisition costs	(8,888)	—
Decrease (increase) in other deferred charges	(5,381)	380
Proceeds on sale of investments	21,711	11,795
Purchase of subsidiaries' net assets *(note 4)*	(33,284)	(133,639)
Non-controlling interest acquired	(9,044)	(31,284)
Investments	(10,313)	(6,795)
	(410,818)	(464,598)
Change in cash and cash equivalents	(26,012)	663
Cash and cash equivalents, beginning of year	12,376	11,713
Cash and cash equivalents, end of year	$ (13,636)	$ 12,376
Cash and cash equivalents consist of:		
Cash	$ 26,954	$ 20,019
Bank indebtedness	(40,590)	(7,643)
	$ (13,636)	$ 12,376
Supplementary disclosure		
Interest paid	$ 119,898	$ 108,110
Income taxes paid	$ 167,501	$ 148,862

See accompanying notes to the consolidated financial statements

Financial statement notes

1. Reorganization

Effective May 31, 1999, Bruncor Inc. (Bruncor), Island Telecom Inc. (Island), Maritime Telegraph and Telephone Company, Limited (MTT), and NewTel Enterprises Limited (NEL), the Predecessor Companies, combined their businesses to form Aliant Inc. The Combination has been accounted for in these financial statements and the consolidated results by the pooling of interests method, which combined the historical carrying values of the assets, liabilities, and shareholders' equity and the historical operating results and activities of the Predecessor Companies.

Each of the Predecessor Companies operated the principal telecommunications companies in the provinces of New Brunswick (Bruncor), Prince Edward Island (Island), Nova Scotia (MTT), and Newfoundland (NEL). The shareholders of the Predecessor Companies exchanged their shares for shares of Aliant Inc. as follows: each Bruncor common share exchanged for 1.011 Aliant common shares; each Island common share exchanged for 1.000 Aliant common share (other than those shares held by Maritime Holdings, a wholly owned subsidiary of MTT); each MTT common share exchanged for 1.667 Aliant common shares; each MTT 7.00% preference share exchanged for 0.605 Aliant common shares; and each NEL common share exchanged for 1.567 Aliant common shares. The share exchange resulted in a total of 126,437,484 Aliant common shares being issued, with the shareholders of the Predecessor Companies holding the following shares:

Shareholder group	Number of Aliant common shares	% of shares outstanding
Bruncor former shareholders	44,151,541	34.9%
Island former shareholders (other than Maritime Holdings)	3,533,469	2.8%
MTT former shareholders	49,889,477	39.5%
NEL former shareholders	28,862,997	22.8%
	126,437,484	

The following table summarizes the results of operations for the five months ended May 31, 1999 and the net assets of each of the Predecessor Companies as at May 31, 1999:

(Thousands of dollars)	Bruncor	MTT *(Including Island)*	NEL	Total
Operating revenue	$ 278,233	$ 299,955	$ 231,046	$ 809,234
Non-controlling interest	(311)	—	421	110
Net income	24,925	28,757	14,708	68,390
Total assets	847,814	1,080,497	873,744	2,802,055
Total liabilities	499,818	675,953	585,507	1,761,278
Net assets	$ 347,996	$ 404,544	$ 288,237	$ 1,040,777

2. Summary of significant accounting policies

Consolidated financial statements

Consolidated financial statements include the accounts of Aliant Inc. (the "Company") and all entities which are controlled by the Company.

At December 31,1999, the principal subsidiaries of the Company include: Aliant Telecom Inc., Island Telecom Inc., Maritime Tel & Tel Limited, MT&T Mobility Incorporated, NBTel Inc., NewTel Communications Inc., NewTel Mobility Limited, Aliant Information Technology Inc., **xwave solutions inc.**, MITI Information Technology Inc., Aliant Horizons Inc., Stratos Global Corporation, AMI Offshore Inc., NBTel Global Inc., ConneCTIvity Contact Centre Solutions Inc., Aliant Internet, LLC, and Aliant Properties Inc.

The Company accounts for its interest in joint ventures by proportionate consolidation.

Use of accounting estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Regulation

Island Telecom Inc., Maritime Tel & Tel Limited, NBTel Inc., and NewTel Communications Inc., the Company's major telecommunications subsidiaries, are subject to regulation by the Canadian Radio-Television and Telecommunications Commission ("CRTC").

Capital assets

Capital assets are recorded at cost. Depreciation is computed on a straight line basis or declining balance basis at rates which will reduce original cost to estimated residual value over the useful lives of the assets. Depreciation expense in 1999 was $325.5 million (1998 – $320.8 million). The average depreciation rate was 8.5% for 1999 (1998 – 8.6%).

The cost of debt attributable to telecommunications plant under construction is added to the cost of the plant constructed. When telecommunications property is retired, its original cost, adjusted by any disposal proceeds and removal costs, is charged to accumulated depreciation.

Gains and losses on the disposal of other capital assets are included in income in the year they occur.

Income taxes

Income taxes are accounted for under the tax allocation method. Under this method, income taxes have been calculated on reported income rather than on earnings currently taxable.

Inventory

Inventory is valued at the lower of cost and net realizable value.

Investments

The Company accounts for its investments in affiliated companies over which it has significant influence on the equity basis of accounting, whereby the investment is initially recorded at cost, adjusted to recognize the Company's share of earnings or losses of the investee companies and reduced by dividends received. The excess of the cost of equity investments over the underlying book value at the date of acquisition is amortized over the estimated useful lives of the underlying assets to which it is attributed.

Portfolio investments are accounted for on the cost basis. Declines in market value below cost are recognized when such declines are considered to be other than temporary.

Foreign currency translation

Assets and liabilities of the Company's integrated foreign operations are translated using the temporal method whereby monetary items are translated at exchange rates prevailing at the balance sheet date, which was US$1.00 = Canadian$1.45 at December 31, 1999 and non-monetary items at historical rates. Revenues and expenses are translated at the average exchange rate. Adjustments arising from the translation of the balance sheet are included as income, except that gains or losses which arise from the translation of long-term monetary items are deferred and amortized to income over the life of the related monetary item.

Goodwill

Goodwill represents the excess at the dates of acquisition of the costs over the fair values of the net tangible assets of subsidiary companies and is amortized on a straight-line basis over the estimated life of 10 years. The Company evaluates the carrying value of goodwill for potential permanent

2. Summary of significant accounting policies (continued)

impairment through ongoing review and analysis of fair market value and expected earnings. A permanent impairment in the value of goodwill is written off against earnings in the year such impairment is recognized.

Post employment benefits

The Company maintains both contributory and non-contributory defined benefit final average pension plans for the benefit of employees of certain subsidiaries. The plans provide pensions based on length of service and final average earnings. Costs of the defined benefit plans are actuarily determined on the basis of best estimate assumptions using the projected benefit method prorated on years of service. Adjustments to pensions cost and experience gains and losses are amortized to income on a straight-line basis over the expected average remaining service life of pension plan members.

The Company also offers other non-pension post employment benefits to employees of certain subsidiaries. Costs associated with these benefits are expensed as incurred.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks, and investments in money market instruments of less than 90 days. The Company uses the indirect method to prepare its cash flow statement.

3. Arrangement costs

Restructuring costs

The Company has recorded a charge of $78.0 million for the estimated costs for 1999 and 2000 to complete restructuring activities associated with the reorganization (see note 1). A significant portion of these expenses are for voluntary early retirement programs for employees. In addition, the business restructuring includes employee transfer costs and other costs resulting from integration activities.

Merger costs

The Company has recorded the third party costs of effecting the reorganization (see note 1) as a charge to retained earnings. These costs included financial advisor fees, regulatory filing fees, legal and accounting fees and printing and mailing costs. The final total of these costs was $15.5 million ($8.9 million after income taxes).

4. Acquisitions

The Company made the following acquisitions for cash consideration in 1999:

(Thousands of dollars)

			1999		
Subsidiary acquired	Acquisition date	% acquired	Purchase price	Net assets acquired	Goodwill
Information technology business of Keltic Technologies Group Inc.	February 1	100	$ 2,666	$ 1,629	$ 1,037
Galahad Information Systems Inc. (IT services provider)	March 1	100	491	427	64
Software Kinetics Ltd. (IT services provider)	April 30	100	20,000	3,400	16,600
K & D Industries Ltd. (Industrial distribution company)	July & November	100	2,123	(25)	2,148
SEA Systems Limited (Controls & instrumentation company)	November 19	100	5,590	522	5,068
Operating assets of AcadiaNet Inc. (Internet service provider)	December 4	100	2,414	68	2,346
			$ 33,284	$ 6,021	$ 27,263

4. **Acquisitions** (continued)

The Company made the following acquisitions for cash consideration in 1998:

(Thousands of dollars)

			1998		
Subsidiary acquired	Acquisition date	% acquired	Purchase price	Net assets acquired	Goodwill
Minerva Technology Inc. (IT services provider)	March 31	100	$ 11,289	$ 489	$ 10,800
MITI Information Technology Inc. (IT services provider)	April 30	94	22,560	3,825	18,735
Stratos Global Corporation (Mobile satellite communications)	August to December	59	52,082	26,582	25,500
Teleglobe Canada - Satellite Service Business (Mobile satellite communications)	September 10	100	61,122	46,022	15,100
American Mobile Satellite Corporation (Mobile satellite communications)	October 28	100	12,750	3,950	8,800
Nova-Net Communications, Inc. (Mobile satellite communications)	November 18	100	8,664	5,464	3,200
AMI Offshore Inc. (Offshore supply & service)	November 25	63	4,080	2,480	1,600
			172,547	88,812	83,735
Less: Cash in subsidiary at time of acquisition			38,908	—	—
Acquisition, net of cash acquired			$ 133,639	$ 88,812	$ 83,735

These acquisitions have been accounted for using the purchase method of accounting. Goodwill resulting from the acquisitions is being amortized on a straight-line basis consistent with the policy outlined in note 2, summary of significant accounting policies. The consolidated statement of income includes the results of operations from the date of acquisition.

Non-controlling interest acquired

In separate transactions in 1999 the Company purchased additional common shares of Stratos Global Corporation for $6.0 million, resulting in goodwill of $3.0 million. This increased the Company's ownership in Stratos to approximately 66%.

In December 1999, iMagicTV Inc. issued additional common shares to outside interests resulting in the Company's ownership being decreased to 39%. The Company ceased consolidating the results of iMagicTV at that time and began accounting for its investment using the equity method.

Portfolio investments acquired

During the year, the Company acquired a 13.70% interest in VOXCOM for an aggregate purchase price of $7.5 million. The Company also invested $2.8 million to increase its ownership interest in various other portfolio investments. These investments are accounted for using the cost method.

5. Capital assets

(Thousands of dollars)	1999			1998		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Land	$ 21,670	$ —	$ 21,670	$ 46,079	$ —	$ 46,079
Buildings	367,104	150,616	216,488	241,948	98,882	143,066
Plant	3,604,752	2,075,332	1,529,420	3,140,758	1,739,055	1,401,703
Machinery and equipment	561,796	268,798	292,999	967,335	524,476	442,859
Plant under construction	29,416	2,834	26,581	22,793	—	22,793
Materials and supplies	7,211	—	7,211	3,672	—	3,672
Total capital assets	$4,591,949	$2,497,580	$2,094,369	$4,422,585	$2,362,413	$2,060,172

6. Long-term investments

(Thousands of dollars)	1999	1998
Investments subject to significant influence	$ 8,013	$ 3,275
Portfolio investments	44,695	42,087
	$ 52,708	$ 45,362

7. Goodwill

(Thousands of dollars)	1999	1998
Goodwill, at cost	$ 142,235	$ 110,395
Accumulated amortization	(15,136)	(5,212)
	$ 127,099	$ 105,183

8. Notes payable

(Thousands of dollars)	1999	1998
Commercial paper program	$ 115,135	$ 46,141
Bankers acceptances	—	163,566
Other short-term debt	55,000	—
	$ 170,135	$ 209,707

At December 31, 1999, the Company has lines of credit available of $500 million. These lines consist of $350 million in committed lines supporting the Company's commercial paper program and $150 million in uncommitted operating lines.

The weighted average rate of interest for the debt outstanding is 5.07% and the weighted average term to maturity is 36 days.

The other short-term debt consists of a note payable to Bell Canada International Inc. (a related party) which matures on March 1, 2000 and carries an interest rate of 5.1%.

9. Long-term debt

(Thousands of dollars)			Outstanding December 31	
	Interest Rate	Maturity	**1999**	.1998
Telecommunications				
Notes	6.459%-12.25%	2000-2009	**$ 204,000**	$ 34,585
Bonds	8.40%-12.25%	2000-2019	**416,500**	476,500
Debentures	6.40%-11.125%	2000-2025	**450,000**	480,000
			1,070,500	991,085
Other: Present value of obligation under capital leases			**4,011**	560
Total – Telecommunications			**1,074,511**	991,645
Information technology				
Mortgages			**1,630**	—
Present value of obligation under capital leases			**757**	1,041
Total – Information technology			**2,387**	1,041
Stratos Global				
Acquisition facility			**—**	83,630
Term debt			**73,947**	—
Other			**2,793**	2,876
Total – Stratos Global			**76,740**	86,506
Emerging business				
Mortgages			**1,641**	—
Bank loans			**5,049**	—
Other			**2,725**	174
Total – Emerging business			**9,415**	174
Other				
Mortgages			**24,520**	27,179
Present value of obligation under capital leases			**—**	1,001
Total – Other			**24,520**	28,180
Total long-term debt			**1,187,573**	1,107,546
Less: Portion due within one year			**133,857**	117,407
			$ 1,053,716	$ 990,139

9. Long-term debt (continued)

The notes are a combination of both secured and unsecured issues. The unsecured notes have been issued under a trust indenture, or under long-term floating rate facilities. Certain notes are secured by debentures containing a floating charge over certain assets. At December 31 there were agreements in place which effectively fixed the interest at the rates noted above for the indicated terms on specific notes.

All bonds are issued in series and are redeemable at the option of the Company prior to maturity at the prices, times and conditions specified in each series. The bonds are secured by a deed of trust and mortgage and by supplemental deeds. These instruments contain a first fixed and specific mortgage, a pledge and charge upon all real and immovable property and equipment of Aliant Telecom Inc., and a floating charge on all other property of Aliant Telecom Inc., both present and future.

All debentures are issued in series and are redeemable at the option of the Company prior to maturity at the prices, times and conditions specified in each series. The debentures are issued under a trust indenture and are unsecured.

The term debt at Stratos Global matures June 10, 2004, bears interest at bankers acceptances plus 150 – 350 basis points depending on Stratos' debt coverage, as defined in the credit agreement, and is secured by all existing and future assets of Stratos and its subsidiaries. All proceeds from new debt and equity issues by Stratos shall be applied to the term debt balance then outstanding.

All mortgages are secured by a fixed charge against specific assets of the Company.

The aggregate amount of payments required in each of the next five years to meet principal repayments and maturities of the Company's long-term debt and the future minimum lease payments under capital leases presently outstanding is as follows: 2000 – $133,857; 2001 – $71,092; 2002 – $70,309; 2003 – $92,732; 2004 – $127,279; and thereafter $692,304.

10. Financial instruments (Thousands of dollars)

The carrying values of the Company's financial instruments, with the exception of long-term debt, approximate fair value due to the short-term maturity and normal trade credit terms of those instruments.

Derivative instruments are primarily used to fix interest rates on floating-rate debt and are not undertaken for speculative purposes. The Company utilizes instruments such as interest rate swaps, future rate agreements and interest rate caps in this process.

The Company has at any one time a significant number of commitments to extend credit. The accounts receivable are owed from a large number of customers on normal credit terms resulting in no significant customer concentration and credit risk.

Under an agreement dated December 12, 1997, Maritime Tel & Tel (a wholly owned subsidiary) sold, with minimal recourse, accounts receivable for aggregate cash proceeds of $50 million. Pursuant to the agreement, the purchaser will use the proceeds of collection to purchase further receivables from the subsidiary until the expiration of the agreement on December 12, 2002.

The fair value of long-term debt has been estimated based upon the present value of expected cash flows at the rates available to the Company at December 31, 1999 for debt with similar terms and remaining maturities or quoted market prices for issues with similar terms and nature. Based on these methods, the fair value of the Company's long-term debt is estimated to be $1,333,463 (1998 – $1,346,130) with a carrying value of $1,187,573. The Company intends to hold its long-term debt instruments to maturity and therefore does not anticipate that any differences between carrying value and fair value will be recorded in the accounts.

11. Non-controlling interest

The non-controlling interest consists of common equity of subsidiary companies held by third parties.

(Thousands of dollars)	1999	1998
xwave solutions inc.	$ 978	$ 729
MITI Information Technology Inc.	1,491	365
Stratos Global Corporation	28,171	34,113
Aliant Internet LLC	1,662	—
AMI Offshore Limited	2,565	1,675
	$ 34,867	$ 36,882

12. Capital stock

Authorized

Unlimited number of common shares.

Issued

(Thousands of dollars)	1999		1998	
	Number of shares	Value	Number of shares	Value
Common shares without par value	127,434,451	$ 691,413	126,018,358	$ 660,266

Share transactions

The Company issued the following shares:

(Thousands of dollars)	1999		1998	
	Number of shares	Value	Number of shares	Value
For cash:				
Stock option plan	190,587	$ 2,585	165,449	$ 2,234
Common shareholder dividend reinvestment and stock purchase plan	284,952	6,556	16,416	369
Employees' stock savings plans	619,121	14,657	119,896	2,621
Shares issued on acquisition	321,433	7,349	711,654	16,198
	1,416,093	$ 31,147	1,013,415	$ 21,422

12. Capital stock (continued)

Stock options

Common shares reserved for issuance under the Company's employee stock option plan at December 31, 1999 were 8,702,906 (1998 – 2,541,111). Details of stock options outstanding are as follows:

	1999	1998
Outstanding, beginning of year	**1,865,295**	1,613,887
Granted	**528,198**	425,978
Exercised	**190,587**	174,570
Outstanding at end of year	**2,202,906**	1,865,295

The options are exercisable at various dates to February 23, 2009, (1998 – July 2008) at prices ranging from $10.625 to $25.552 (1998 – $10.625 to $25.552).

Reserved shares

Common shares reserved for issuance under the common shareholder dividend reinvestment plan and employees' stock savings plan at December 31, 1999 were 4,942,717 (1998 – 3,193,143).

13. Commitments as lessee (Thousands of dollars)

The estimated future minimum lease payments under operating leases for the next five years are as follows: 2000 – $27,168; 2001 – $25,694; 2002 – $22,585; 2003 – $22,130; and 2004 – $14,778.

14. Pensions (Thousands of dollars)

The Company maintains both contributory defined contribution and non-contributory defined benefit final average pension plans for the benefit of employees of certain subsidiaries. Pension recovery for the year was $17,016 (1998 – $19,833). This amount includes the current cost of pension benefits plus the amortization of adjustments, gains, and losses over the expected average remaining service life of the employee group.

Actuarial reports on the non-contributory plan as at June 30, 1997 and December 31, 1998 were based on employees' service rendered to that date and on projections of employees' compensation levels to the time of retirement. The discount rate used in determining the accumulated and accrued plan benefits and the annual rate of investment ranged from 8% to 9%.

The cumulative difference between the amount contributed to the pension plans and the amount charged to income, including the effects of curtailments and settlements, is $77,565 and is recorded on the balance sheet as prepaid pension cost.

As at December 31, 1999, the estimated present value of accrued pension benefits under the defined benefit plans is $932,087 (1998 – $884,716) and the estimated net assets available to provide for these benefits, at market related values are $1,155,974 (1998 – $1,113,696).

15. Related party

BCE Inc. beneficially owned and controlled 41.23% (1998 – 41.76%) of the outstanding common shares of the Company as at December 31, 1999.

In the normal course of business, the Company had transactions with related parties as follows:

(Thousands of dollars)		**1999**	1998
Related party	Nature of transactions		
Controlled investees of BCE Inc.	Purchases of telecommunications and other services	**$ 80,924**	$ 74,623

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The balances due to and due from affiliates are non-interest bearing and under normal credit terms and have arisen from the sales of product and provision of services referred to above.

16. Income taxes

A reconciliation of the statutory income tax rate to the effective income tax rate is as follows:

	1999	1998
Statutory income tax rate (including surtax)	**45.06 %**	45.20 %
Interest during construction	**0.70**	0.60
Large corporations tax	**0.90**	0.60
Other	**(0.60)**	(1.50)
Effective income tax rate	**46.06 %**	44.90 %

17. Joint venture

The Company and its subsidiaries are partners in the the joint ventures Brunswick Square Ltd. (50%), Tele-Direct Atlantic (87%), and Laurentides Joint Venture (67%).

The effect of proportionate consolidation of the joint ventures on the Company's consolidated financial statements is summarized below:

(Thousands of dollars)	**1999**	1998
Revenue	**$ 66,027**	$ 55,668
Expenses	**40,444**	31,216
Operating income	**$ 25,583**	$ 24,452
Current assets	**$ 27,615**	$ 27,441
Long-term assets	**34,336**	43,690
Current liabilities	**4,546**	4,488
Long-term liabilities	**13,671**	20,214
Net investment	**$ 43,734**	$ 46,429
Cash flow		
Operating activities	**26,568**	24,426
Investing activities	**664**	8,387
Financing activities	**(2,310)**	(273)
Net cash flow	**$ 24,922**	$ 32,540

18. Segmented information

The Company operates four reportable segments:
Telecommunications – provides a full range of telecommunications services in New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador. Included in this line of business are NBTel Inc., Maritime Tel & Tel Limited, MT&T Mobility Incorporated, Island Telecom Inc., NewTel Communications Inc., and NewTel Mobility Limited;
Information technology – provides systems integration, application development, local area network installation, wide area network management, data centre operations, VAR and information technology planning services. Included in this line of business are **xwave solutions inc.** and MITI Information Technology Inc.;
Mobile satellite communications – provides a full range of mobile satellite communications services to clients in the international marketplace. Included in this line of business is Stratos Global Corporation;
Emerging business – focused on developing and nurturing new technology-based products and services such as: (1) computer telephony integration, TV over copper, high-speed e-commerce, and new media. This includes New North Media, iMagicTV, NBTel *VideoActive* Networks Ltd., and NBTel Global; (2) electronics manufacturing carried out by NewTech Instruments Limited; and (3) supply and service of the east coast oil and gas industry as conducted by AMI Offshore Limited.

These reportable segments are managed as separate business units as they operate in different industries and require different market strategies and technologies.

The accounting policies of the segments are the same as those described in note 1, summary of significant accounting policies. The Company evaluates performance based on a number of financial and non-financial indicators including net income not including non-recurring gains and losses, return on equity and revenue growth.

The Company accounts for intersegment sales and transfers as if the sales or transfers were to third parties, that is, at current market prices.

18. Segmented information (continued)

(Thousands of dollars)

1999

	Telecommunications	Information technology	Mobile satellite communications	Emerging business	All others	Eliminations	Consolidated
Revenue from external customers	$ 1,631,461	$ 182,240	$ 144,073	$ 56,104	$ 12,460	$ —	$ 2,026,338
Intersegment revenue	4,550	70,402	—	4,929	2,285	(82,166)	—
Operating revenue	$ 1,636,011	$ 252,642	$ 144,073	$ 61,033	$ 14,745	$ (82,166)	$ 2,026,338
Other income	14,063	206	7,099	5,149	4,533	(4,834)	26,216
Operating expenses	1,203,603	228,997	130,224	64,537	18,441	(75,296)	1,570,506
Restructuring charge	78,000	—	—	—	—	—	78,000
Interest expense	100,244	1,436	12,839	630	13,925	(6,340)	122,734
Income taxes	121,832	10,230	1,994	2,526	(2,291)	83	134,374
Non-controlling interest	—	734	2,138	(4,162)	—	—	(1,290)
Net income	$ 146,395	$ 11,451	$ 3,977	$ 2,651	$ (10,797)	$ (5,447)	$ 148,230
Total assets	$2,499,176	$ 114,240	$ 182,810	$ 67,656	$ 1,781,598	$(1,770,524)	$ 2,874,956
Capital expenditure	$ 319,070	$ 9,035	$ 13,314	$ 12,446	$ 1,000	$ 10,754	$ 365,619
Amortization	$ 313,523	$ 8,986	$ 9,791	$ 2,849	$ 1,047	$ 4,406	$ 340,602

(Thousands of dollars)

1998

	Telecommunications	Information technology	Mobile satellite communications	Emerging business	All others	Eliminations	Consolidated
Revenue from external customers	$ 1,551,168	$ 104,828	$ 37,190	$ 17,936	$ 12,650	$ —	$ 1,723,772
Intersegment revenue	5,607	41,607	—	3,123	6,254	(56,591)	—
Operating revenue	$1,556,775	$ 146,435	$ 37,190	$ 21,059	$ 18,904	$ (56,591)	$ 1,723,772
Other income	1,752	42	1,548	3,483	5,347	(1,297)	10,875
Operating expenses	1,156,957	130,494	35,111	27,005	14,931	(51,363)	1,313,135
Interest expense	97,860	268	2,495	562	8,551	(1,700)	108,036
Income taxes	138,462	7,035	647	(8,975)	4,065	(441)	140,793
Non-controlling interest	—	901	120	(55)	—	8	974
Net income	$ 165,248	$ 7,779	$ 365	$ 6,005	$ (3,296)	$ (4,392)	$ 171,709
Total assets	$ 2,317,338	$ 57,497	$ 198,165	$ 39,785	$ 722,324	$ (658,118)	$ 2,676,991
Capital expenditure	$ 292,750	$ 5,872	$ 2,339	$ 425	$ 1,442	$ 2,227	$ 305,055
Amortization	$ 309,477	$ 7,298	$ 3,338	$ 3,074	$ 1,178	$ 1,704	$ 326,069

18. Segmented information (continued)

Revenue by product and service

(Thousands of dollars)	**1999**	1998
Local	**$ 832,340**	$ 785,124
Long distance	**452,680**	480,942
Wireless	**179,096**	150,353
Other telecommunication	**167,345**	134,749
	1,631,461	1,551,168
Information technology	**182,240**	104,828
Emerging business	**56,104**	17,936
Mobile satellite	**144,073**	37,190
Other	**12,460**	12,650
	$2,026,338	$ 1,723,772

19. Contingency

In 1998, a subsidiary of the Company, IDB Mobile Communications, Inc., was named as defendant in a legal action claiming US$13 million for alleged breach of contract. The action, filed in a federal US district court, was dismissed. The appeal by the claimant was also dismissed. A subsequent motion by the claimant for further relief was denied. The claimant has again appealed the denial of the motion and such appeal is pending. The claimant has also filed administrative complaints with the regulatory authority. IDB's position is that payment has been made for all services used. While it is not possible to determine the outcome of these actions, management believes that the Company's legal position is sound.

20. Subsequent event

On January 31, 2000, one of the Company's subsidiaries, **xwave solutions inc.**, purchased 100% of the outstanding common shares of Prior Data Sciences Limited for $30 million.

21. Restatement of comparative figures

The comparative financial information has been restated to conform with the presentation adopted for 1999.

6-year review

(Thousand of dollars, except per share amounts)	**1999**	1998	1997	1996	1995	1994
Income statement items						
Total operating revenues (1)	**$ 2,026,338**	$ 1,723,772	$ 1,610,079	$ 1,373,906	$ 1,284,990	$ 1,228,870
Total operating expenses (1)	**$ 1,570,506**	$ 1,313,135	$ 1,227,564	$ 1,014,498	$ 970,648	$ 892,870
Restructuring costs	**$ 78,000**	$ —	$ —	$ —	$ —	$ —
Other income	**$ 26,216**	$ 10,875	$ 2,903	$ 6,903	$ 10,504	$ 22,370
Interest charges	**$ 122,734**	$ 108,036	$ 109,659	$ 121,829	$ 131,297	$ 123,164
Income taxes	**$ 134,374**	$ 140,793	$ 128,545	$ 116,432	$ 95,151	$ 103,257
Non-controlling interest	**$ (1,290)**	$ 974	$ 730	$ 416	$ 220	$ (142)
Net income before extraordinary item	**$ 148,230**	$ 171,709	$ 146,484	$ 127,634	$ 98,178	$ 132,091
Extraordinary item	**$ —**	$ —	$ (344,335)	$ —	$ —	$ —
Net income (loss)	**$ 148,230**	$ 171,709	$ (197,851)	$ 127,634	$ 98,178	$ 132,091
Balance sheet items						
Total assets	**$ 2,874,956**	$ 2,676,991	$ 2,461,326	$ 3,096,036	$ 3,116,147	$ 2,346,963
Shareholders' equity	**$ 1,105,800**	$ 1,041,616	$ 941,596	$ 1,268,529	$ 1,222,506	$ 1,199,815
Non-controlling interest	**$ 34,867**	$ 36,882	$ 2,329	$ 1,599	$ 1,183	$ 963
Long-term debt – including current portion	**$ 1,187,573**	$ 1,107,546	$ 1,023,448	$ 1,014,177	$ 1,139,873	$ 1,072,760
Financial ratios						
Earnings from continuing operations per average common share (2)	**$ 1.46**	$ 1.26	$ 1.17	$ 1.03	$ 0.81	$ 1.02
Earnings (loss) per average common share	**$ 1.17**	$ 1.36	$ (1.58)	$ 1.03	$ 0.81	$ 1.10
Dividends declared per common share	**$ 0.83**	$ 0.75	$ 0.74	$ 0.74	$ 0.74	$ 0.74
Interest coverage (times)	**3.29**	3.90	3.51	3.01	2.47	2.82
Average common shares outstanding *(Thousands)*	**126,550**	125,543	125,005	123,685	121,370	120,075
Telecommunications						
Total operating revenues (1)	**$ 1,636,011**	$ 1,556,775	$ 1,531,882	$ 1,308,025	$ 1,224,627	$ 1,185,416
Total operating expenses (1)	**$ 1,203,603**	$ 1,156,957	$ 1,169,803	$ 974,271	$ 915,779	$ 853,480
Network access services – wireline	**1,538,569**	1,503,004	1,453,995	1,421,700	1,394,115	1,359,797
Network access services – wireless	**298,448**	231,031	180,781	145,338	120,423	84,607
Long-distance minutes *(Thousands)*	**2,853,806**	2,126,524	1,872,666	1,768,949	1,625,101	1,529,241
Internet subscribers (3)	**173,250**	125,844	83,861	N/A	N/A	N/A

(1) Revenues and expenses for 1997 and later years have been restated to report gross revenues from settlements and contribution. Consequently, revenues and expenses growth in 1997 is distorted.
(2) Before restructuring costs and other one-time items.
(3) Including 6,500 customers in Maine, USA.

elected financial and operating data

TSE:AIT

We're here to help

To learn more about Aliant and to view the latest news releases, please visit our Web site at www.aliant.ca. Contact Aliant investor relations for additional financial and statistical information, and industry developments.

Phone: 1.877.248.3113 *(toll free in Canada and U.S.)*
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PO Box 1113, Station Central RPO
Halifax, NS B3J 2X1

Contact our transfer agent, CIBC Mellon Trust, for information about the dividend reinvestment and stock purchase plan (DRP) and for answers to shareholder inquiries.

Phone: 1.800.387.0825 *(toll free in Canada and U.S.)*
E-mail: inquiries@cibcmellon.com
Mailing address: CIBC Mellon Trust
Investor Correspondence
PO Box 7010, Adelaide Street Postal Station
Toronto, ON M5C 2W9

Where we're listed

Our shares are listed on The Toronto Stock Exchange. Aliant's ticker symbol is AIT.

Share certificate exchange

For shareholders who have yet to do so, please exchange your Bruncor, Island Tel, MTT, or NewTel share certificates for Aliant share certificates. Contact CIBC Mellon Trust.

Direct deposit of dividends

Registered common shareholders may have dividends deposited electronically into their bank account *(in Canada only)*. Contact CIBC Mellon Trust.

Dividend dates for 2000*

Record dates	*Payment dates*
March 15	March 30
June 15	June 30
September 15	September 30
December 15	December 30

**Subject to approval by the board of directors*

Dividend reinvestment plan

Registered common shareholders of Aliant may reinvest their dividends, automatically and without fees, in additional shares of the Company. Also, up to $10,000 in Company shares may be purchased each quarter with optional cash payments. All administration costs are paid by the Company. Approximately 36% of registered shareholders are enrolled in the plan. A brochure containing information on the dividend reinvestment and stock purchase plan may be obtained by calling CIBC Mellon Trust.

Stock registrar and transfer agent

CIBC Mellon Trust Company
Web site: www.cibcmellon.ca

Bond trustee, registrar and transfer agent

Montreal Trust Company, and CIBC Mellon Trust Company

Annual information form

The annual information form as filed with the Canadian securities commissions is available upon request. For further information about the Company, institutional investors, brokers and security analysts should contact Aliant investor relations.

Common share price range*

	June	July	August	September	October	November	December
High	$ 25.75	$ 24.40	$ 23.00	$ 23.00	$ 24.20	$ 23.60	$ 26.00
Low	$ 21.50	$ 21.60	$ 21.50	$ 21.75	$ 22.00	$ 21.65	$ 23.30
Close	$ 22.45	$ 22.50	$ 22.70	$ 22.00	$ 22.15	$ 23.35	$ 25.00
Volume	2,617,800	1,947,600	1,562,900	1,269,100	2,699,600	2,291,600	1,701,000

** Toronto Stock Exchange*

Words we use

Broadband: The volume of information that can be transmitted through a cable or fibre at any one time is measured in bandwidth. Broadband has the capacity to carry enormous amounts of information.

Cellular: Cellular takes its name from the way its service areas are divided into cells. Calls are automatically transferred over radio frequencies from one cell to the next to give uninterrupted service.

CLEC (competitive local exchange carrier): New competitors that enter the local telephone service market.

CTI (computer telephony integration): The merging of multiple telecommunications channels with computer systems to coordinate the delivery of information between different electronic media.

DSL (digital subscriber line): Technology that uses traditional copper telephone wires to provide access to Internet, television and multimedia services at speeds much faster than an ordinary phone line. Forms of DSL include ADSL and VDSL.

E-commerce centre/call centre: Organizations that provide customer-focused activities like sales, service and technical support by receiving and/or making high volumes of telephone calls.

Electronic business/commerce: Business activity enabled by electronic communication applications, including business-to-business transactions and business-to-customer/customer-to-business exchanges.

Intellectual property: Property that results from creative thought or action including designs, software, processes and general know-how.

Interactive: A communications service that allows the two-way transfer of information between people or between a person and a computer.

Internet/Web: A global "network of networks" that connects millions of people around the world through computers, providing rapid access to a virtually unlimited amount of information.

***LivingLAB* innovations environment:** An Aliant-wide innovations environment for research and development. Made up of four elements – employees, customers, partners and the *VideoActive* Development Centre, a test area that resembles a true-to-life setting – the *LivingLAB* is an incubator for ideas.

Mobile satellite communications: Communications services delivered via satellite to mobile and remote users who require non-conventional telecommunications services.

Multimedia: The simultaneous use of multiple forms of media – audio, video, graphics, text – for more powerful and effective communication.

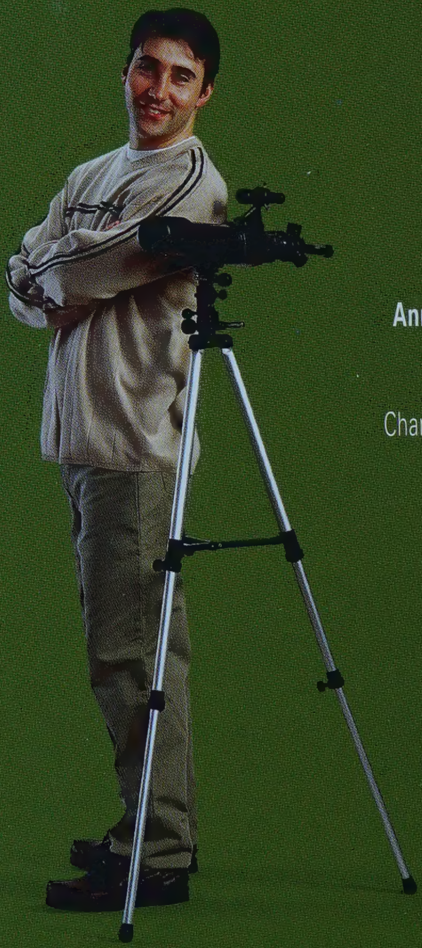
Price caps: A method of regulating the overall price charged for "utility" or basic local telephone services. The CRTC adopted this method in 1998 for the four-year transition to full local competition.

TMR (trunked mobile radio service): Technology that enables shared, open access to two-way communications via radio waves. TMR is widely used for dispatch operations.

WAN/LAN: Wide-area networks and local-area networks that interconnect system users through a common network. These networks may be customized to give users access to shared files, applications and information systems.

lossary of terms glossary of terms

Now you see what we see



Annual meeting of shareholders
Delta Prince Edward Hotel
Charlottetown, Prince Edward Island
10:30 am (local time),
April 25, 2000

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Aliant